

KOMATSU | **2013**
REPORT



KOMATSU REPORT 2013

To Our Stakeholders	01
Interview with President and CEO	05
Feature Story	29
Construction Equipment for the Future and with a Future	
Review of Operations	41
CSR and the Environment	47
Our Approach to CSR	48
Enhancing Quality of Life	71
Developing People	86
Growing with Society	99
Corporate Governance	118
Corporate Information	121

Financial Section

[Editing Policy]

· Unless otherwise noted, FY2012 in this KOMATSU REPORT 2013 indicates the fiscal year from April 1, 2012 through March 31, 2013.

Komatsu Ltd. issues this KOMATSU REPORT 2013 only on the website below.

PDF files are available for printing.

KOMATSU REPORT 2013 (Fiscal year ended March 31, 2013) <http://www.komatsu.com/CompanyInfo/ir/annual/>

· For information concerning Komatsu's CSR and environmental activities, visit the website below.

CSR <http://www.komatsu.com/CompanyInfo/csr/>

[Cautionary Statement]

This Annual Report contains forward-looking statements that reflect management's views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results and business strategies. These statements can be identified by the use of terms such as "will," "believes," "should," "projects," "plans," "expects" and similar terms and expressions that identify future events or expectations. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured. Any forward-looking statements speak only as of the date of this Annual Report, and Komatsu assumes no duty to update such statements. Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, unanticipated changes in demand for the Company's principal products, owing to changes in the economic conditions in the Company's principal markets; changes in exchange rates or the impact of increased competition; unanticipated costs or delays encountered in achieving the Company's objectives with respect to globalized product sourcing and new information technology tools; uncertainties as to the results of the Company's research and development efforts and its ability to access and protect certain intellectual property rights; the impact of regulatory changes and accounting principles and practices; and the introduction, success and timing of business initiatives and strategies.

To All Our Stakeholders



Kunio Noji , Chairman of the Board

Tetsuji Ohashi , President and CEO

Please be advised that effective April 1, Kunio Noji, President and CEO resigned to become Chairman of the Board and Tetsuji Ohashi became President and CEO.

Performance

For the fiscal year under review (April 1, 2012 – March 31, 2013), consolidated sales of construction, mining and utility equipment declined from the previous fiscal year, reflecting a drastic decline in demand for construction equipment in China and a sharp drop in demand for mining equipment mainly in Indonesia, as adversely affected by the falling price of coal. In the industrial machinery and others business, while sales of large presses to the automobile manufacturing industry, as well as machine tools for use in automotive engine production, increased from the previous fiscal year, those of wire saws for use in slicing silicon ingots for the solar cell market sharply fell. As a result, consolidated sales in this business segment declined from the previous fiscal year.

For the fiscal year under review, consolidated net sales decreased by 4.9% from the previous fiscal year to, JPY1,884.9 billion (USD20,053 million at JPY94/USD). With respect to profits, we focused continuous efforts to increase selling prices and reduce production costs. Affected by a big drop in sales volume from the previous fiscal year, profits declined in both businesses of construction, mining and utility equipment as well as industrial machinery and others. Operating income declined by 17.5% to JPY211.6 billion (USD2,251 million). Operating income ratio decreased by 1.7 percentage points to 11.2%, and income before income taxes and equity in earnings of affiliated companies declined by 18.0% to JPY204.6 billion (USD2,177 million). Net income attributable to Komatsu Ltd. amounted to JPY126.3 billion (USD1,344 million), a decline of 24.4% from the previous fiscal year.

Consolidated Business Results for the year <U.S. GAAP>

Fiscal year ended March 31, 2013 (FY2012)

	Results for the year	Change (FY2012/FY2011)
Net sales	1,884.9	- 4.9%
Operating income	211.6	- 17.5%
Operating income ratio	11.2%	-1.7 pts
Income before income taxes and equity in earnings of affiliated companies	204.6	- 18.0%
Net income attributable to Komatsu Ltd.	126.3	- 24.4%

Billions of yen (except for operating income ratio)

Sales by operation (Based on the amounts before elimination of transactions between operations)

	Results for the year	Change (FY2012/FY2011)
- Construction, Mining and Utility Equipment	1,679.5	- 3.7%
- Industrial machinery & others	216.2	- 13.9%
Elimination	-10.8	
Total	1,884.9	- 4.9%

Note: Figures are rounded down to the hundred-million yen.

Projections for the Fiscal Year 2013 (Announced on April 25, 2013)

Fiscal year ended March 31, 2014 (FY2013)

	Results for the year	Change (FY2012/FY2011)
Net sales	2,050.0	+ 8.8%
Operating income	305.0	+ 44.1%
Operating income ratio	14.9%	+3.7 pts
Income before income taxes and equity in earnings of affiliated companies	297.0	+ 45.2%
Net income attributable to Komatsu Ltd.	184.0	+ 45.7%

Billions of yen (except for operating income ratio)

Note: Figures are rounded down to the hundred-million yen.

Komatsu and a part of its consolidated subsidiaries adopt the declining balance method for the depreciation of property, plant and equipment, and plan to change it to the straight-line method from the fiscal year ending March 31, 2014. Komatsu believes that the straight-line method should better reflect the future usage of the property plant and equipment. The effect of the change in depreciation is recognized prospectively as a change in accounting estimate. This effect is estimated to result in a decrease of depreciation expense by approximately JPY 10 billion for the fiscal year ending March 31, 2014.

Issues Ahead

The Komatsu Group worked to improve the added values of its products, further strengthen its operation in growth markets and enhance its continuous group-wide Kaizen (continuous improvement) capability in particular under the "Global Teamwork for Tomorrow" mid-range management plan for a three-year period from April 1, 2010 to March 31, 2013. In this period,

Komatsu Group's business environment changed dramatically, as represented by a sharp hike of the Japanese yen against other major currencies, the Great East Japan Earthquake, and dramatic changes in demand for wire saws as well as construction and mining equipment in China and Indonesia. Under such an environment, the Komatsu Group worked to maintain high profitability regardless of market conditions by improving selling prices and production costs and strengthening its corporate fundamentals to flexibly meet dynamic changes in foreign exchange rates and market demand.

Demand for construction and mining equipment plunged drastically under economic slowdowns worldwide as triggered by the financial crisis in the United States in September 2008, and then recovered rapidly, driven by Chinese and Indonesian demand. Today, we need to expect that demand will remain at a standstill for the time being, mainly against the backdrop of demand in these two countries entering an adjustment phase. However, we project that demand will steadily increase in the mid to long-range perspective, supported by global population growth and increasing rates of urbanization worldwide. To continue to focus on its core businesses of construction and mining equipment, as well as industrial machinery, invest in growth, and strengthen its corporate fundamentals, the Komatsu Group started the "Together We Innovate GEMBA Worldwide" three-year mid-range management plan in April this year.

Dividends

Annual Cash Dividends per Share	FY2011: JPY 42
	FY2012: JPY 48
	FY2013: JPY 58 (Projection)

Dividend Policy

- Concerning cash dividends to our shareholders, we continue to maintain the policy of redistributing profits by considering consolidated business results to strive to continue stable dividends.
- We have set the goal of a consolidated payout ratio of 30% or higher, and maintains the policy of not decreasing dividends as long as a consolidated payout ratio does not surpass 50%.

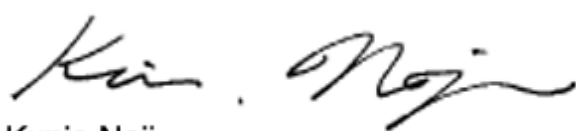
Under the current mid-range management plan, we are going to work on the focused activities based on the two paired wheels of the Growth Strategies designed to capitalize on our strengths and the Structural Reforms designed to strengthen our corporate fundamentals. At the same time, we are also making all-out efforts to improve the level of profit redistribution to our shareholders.

To effectively tackle the high hurdles of focused activities, it is indispensable that the teamwork of Komatsu Group's employees with GEMBA (workplace) capabilities engage in continuous improvement activities by identifying workplace tasks and solving them. All Komatsu Group employees worldwide will continue to promote continuous improvement activities based on The KOMATSU Way. In particular, we will further strengthen brand management activities through which we strive to thoroughly understand customers' workplaces and become indispensable to them. In this way, we will develop human resources that are needed for business expansion on a global scale.

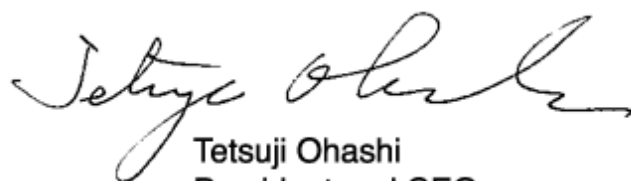
Based on the belief that "its corporate value is the total sum of trust given to Komatsu by society and all its stakeholders," the Komatsu Group is further strengthening its corporate governance to ensure sound and transparent management, while improving management efficiency. Being committed to promoting thorough compliance, the Komatsu Group will also ensure all employees share The KOMATSU Way. In addition to improving its business performance, the Komatsu Group will facilitate both the development of corporate strength and the achievement of social responsibility in a well-balanced manner.

On behalf of the members of the Board, we would like to extend our sincere appreciation to our valued shareholders, customers and business partners around the world for their support.

July 2013



Kunio Noji
Chairman of the Board



Tetsuji Ohashi
President and CEO

Face to Face

Interview with President and CEO

Tetsuji Ohashi, President and CEO



Q1

You were appointed as president in April this year. Would you share your thoughts on management? ▶

Q2

Corporate social responsibility is gaining importance for sustainable growth of companies today. Please share your thoughts about this trend. ▶

Q3

Environmental efforts are also becoming ever more important in business activities today. In Japan, especially since the occurrence of the Great East Japan Earthquake, reduction of electric power consumption has become an urgent task. What kind of environmental efforts is Komatsu planning for the near future? ▶

Q4

Please describe the accomplishments of the "Global Teamwork for Tomorrow" three-year mid-range management plan which was implemented from April 2010 through March 2013? ▶

Q5

You have announced a new mid-range management plan with the target year of FY2015. Please tell us how you are perceiving future market conditions and basic policies based on this perception. ▶

Q6

Please give us an outline of the new mid-range management plan and specific goals. ▶

Q7

Would you elaborate on the growth strategies based on innovation, which you have positioned as one of the basic strategies in the new mid-range management plan? ▶

Q8

What are you going to emphasize in the growth strategies of existing businesses, the second of the basic strategies? ▶

Q9

What are you planning to emphasize in structural reforms designed to reinforce the business foundation, the third one of the basic strategies in the mid-range management plan? ▶

Q10

Please discuss your projection of business results for FY2013, the first year of the new mid-range management plan. ▶

Q1

**You were appointed as president in April this year.
Would you share your thoughts on management?**

Komatsu's corner stone of management remains unchanged, even when presidents change. It lies in commitment to Quality and Reliability in order to maximize our corporate value. We define our corporate value as the total sum of trust given to us by society and all stakeholders.

At Komatsu we have The KOMATSU Way, which spells out Komatsu's strengths that our forerunners have built on, the beliefs that support those strengths, basic attitudes toward work and the code of conduct which demonstrates those values. The KOMATSU Way is shared as Komatsu's DNA by all Komatsu Group employees around the world. I am also going to inherit The KOMATSU Way in my management, thereby continuing to constantly emphasize the basics, such as safety, environmental conservation, compliance and quality assurance, while striving to ensure further business growth in order to increase the trust of all stakeholders.

Under the leadership of Mr. Sakane, then President and CEO (FY2001 – FY2007) and currently Director and Councilor, Komatsu moved business forward under the slogan of DANTOTSU. Under the leadership of Mr. Noji as President and CEO (FY2007 – FY2013), global teamwork as a key concept of management was emphasized. During the days of these two presidents, they both stressed the importance of Gemba (workplace) at the bottom line of management.

All corporate activities are essentially based on Gemba. I am also going back to the basics of our Gemba philosophy in order to learn more about all Gemba, such as customers, distributors, manufacturing sites, human resource development and places of contact with society. In this manner, I will make all-out efforts to ensure we collaborate with all our partners and offer new innovations.

The slogan of the new mid-range management plan, which I am going to discuss later, is "Together We Innovate GEMBA Worldwide". I would like to see that all Komatsu Group employees will team up with distributors and suppliers, work to improve customers' Gemba together with them, and offer innovations designed to create new values so that we should be able to continue to grow in our core businesses of construction and mining equipment as well as industrial machinery. I hope this slogan will clearly express these feelings I have.



Q2

**Corporate social responsibility is gaining importance for sustainable growth of companies today.
Please share your thoughts about this trend.**

By providing our products and service, for example, construction equipment to develop cities, mining equipment to obtain commodities, and forest machines needed to produce lumber and pulp, we are helping people improve their lives around the world. In the course of our business operation, we foster the growth of local people with maintenance skills for our machines, thereby contributing to the vitalization of local human resources and communities. Therefore, I believe our business on a global scale itself represents CSR efforts.

Under the growth strategies based on innovation in the new mid-range management plan, we are going to facilitate the development and market introduction of products which feature leading-edge ICT advantages, such as Machine Control/Guidance construction equipment designed to streamline and eventually automate construction jobsites, Autonomous Haulage System which contributes to improved safety and yields, and fleet control systems for forest machines. Through these efforts, we are determined to change our customers' jobsites together with them and create new values through innovation. I feel this is also our big responsibility.

When engaging in these businesses, we must make the utmost emphasis on safety as a manufacturer. Safety is a CSR by itself, and is also our commitment to ourselves, families and all colleagues around us. Furthermore, compliance is our commitment to local communities, and quality is our commitment to customers. Without these three commitments, I believe no company can exist. I would like to manage Komatsu for sustainable growth, as we make progress in business while fulfilling these responsibilities.

Q3

Environmental efforts are also becoming ever more important in business activities today. In Japan, especially since the occurrence of the Great East Japan Earthquake, reduction of electric power consumption has become an urgent task.
What kind of environmental efforts is Komatsu planning for the near future?

Environmental efforts are one of the highest-priority tasks of companies in order to fulfill corporate social responsibilities and ensure sustainable growth. Komatsu will proactively make efforts to reduce environmental impact in all business aspects.

With respect to our measures against climate change (global warming), we are making solid efforts to reduce CO₂ emissions in both development and production operations. Concerning CO₂ emissions in the stages of production to disposal of construction equipment, some 90% comes from customers' use. Therefore, in development, we are concerting efforts to hybrid hydraulic excavators which achieve significant reduction of CO₂ emissions when used and ICT-intensive construction equipment which shortens construction periods. In production, we have already launched, since fiscal 2012, the 3-year program to cut down electric power consumption in half at all plants in Japan. This program calls for introduction of energy-efficient buildings, manufacturing equipment and high-yield configuration of production lines. We are continuing these efforts designed to simultaneously improve productivity and reduce power consumption.

From the viewpoint of the so-called recycle-based society, we are continuing our efforts to minimize the use of chemical substances of environmental burden and further promote Zero Emissions in production. We will also be facilitating the wide use of remanufactured components and re-use rates of parts.

With respect to biodiversity preservation, we are emphasizing the One Activity per Base program in addition to conventional efforts. We are making joint efforts with local residents to preserve biodiversity by building biotopes which integrate local water and forest resources, for example, in Usuki City in Oita Prefecture, where we have the Test Engineering Center, in Komatsu City where we manage Komatsu Green Park, and Osaka, Oyama and Koriyama plants.

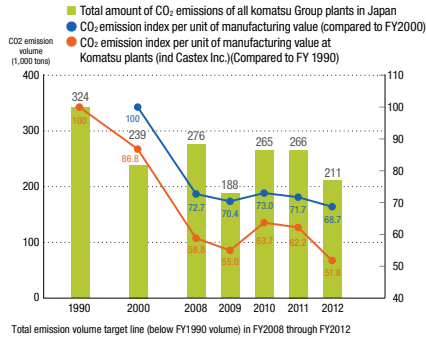
Environmental preservation is absolutely indispensable for companies to ensure sustainable growth. We will be further improving the level of our environmental efforts by collaborating with our overseas manufacturing and sales subsidiaries, distributors and suppliers around the world.

■ Goal and results of CO₂ emissions volume

The Komatsu Group has achieved the FY2012 goal for CO₂ emissions volume.

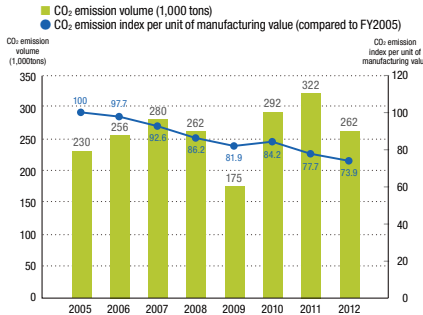
■ CO₂ emission volume and index per unit of manufacturing value at Komatsu Group plants in Japan

- We have achieved our targets for FY2012 in both volume and index per unit.
- In addition, we are continuing our efforts to cut down electric power consumption in half.



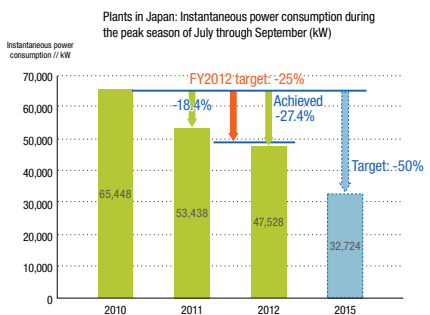
■ CO₂ emission volume and index per unit of manufacturing value at Komatsu Group plants outside of Japan

- We work for the global community by reducing our CO₂ emission volume.



■ Reduction of instantaneous power consumption in the summer

- We are monitoring instantaneous power consumption.
- We are promoting the use of more energy-saving lighting, inverters and other means.



■ Komatsu is making group-wide efforts to conserve biodiversity and promote sustainable use thereof.

- Biodiversity survey conducted by members of our Test Engineering Center in Notsu, Oita Prefecture, Japan



● Survey on ecosystem (animals and plants) in Notsu

Excellent environmental conservation (distributed as hand-out materials at international conferences on environmental conservation)

Survey findings (on the promise of our Test Engineering Center and surrounding areas)

Plants: 467 species. Animals: 367 species (incl. insects and rare species)



One-theme activities per base → Development of domestic woodland at all bases → We have begun “Report card on land utilization” and “Life monitoring”

Kanazawa Plant: Planting Japanese black pine seedlings at the Awasaki-Yasuragi woods

Awazu Plant: Building a biotope at a local elementary school near the plant

Komatsu CASTEX: East pond on the premise of its Himi Plant

Komatsu NTC: Biotope (Nanto City)

Tohoku Company of Komatsu Construction Equipment Sales and Service Ltd.: Biotope (Sendai City)

Koriyama Plant: Biotope

Oyama Plant: Biotope

Komatsu-no-Mori: Biotope (Komatsu City)

Osaka Plant: Biotope

Regional contribution

Ecosystem integrity

Consideration of land use at the time

Nature observation class for local elementary school pupils

Ecosystem survey on the premise of the Test Engineering Center in Notsu

“Excellent environmental conservation” evaluated by environmental specialists

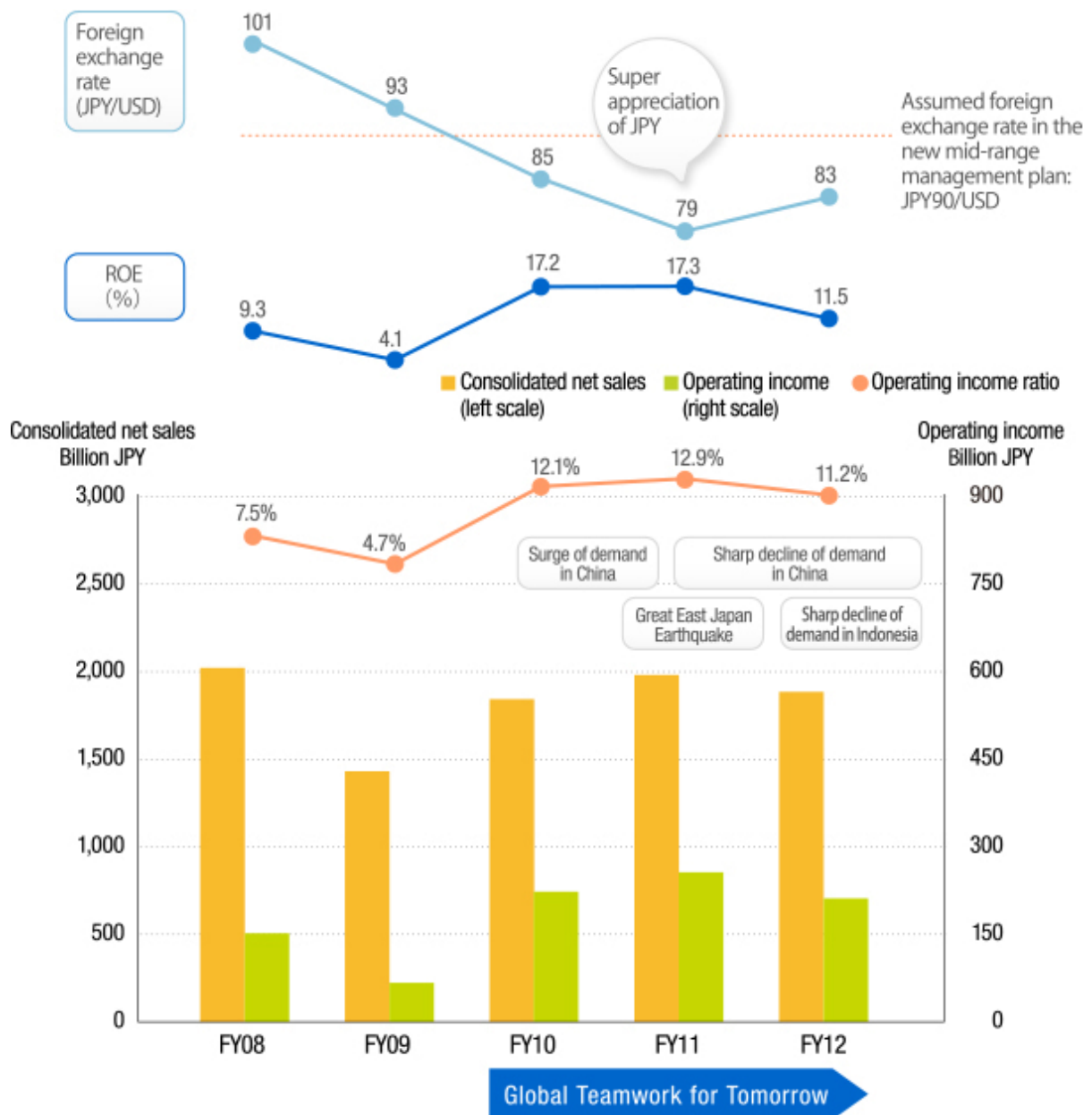
Ecosystem (animals and plants) survey (on the premise of the Test Engineering Center and surrounding areas)

World Business Council for Sustainable Development (WBCSD)
International Union for Conservation of Nature (IUCN held in Cheju, South Korea in September, 2012)
The Eleventh Ordinary Meeting of the Conference of the Parties (COP 11 held in Hyderabad, India in October 2012)

Q4

Please describe the accomplishments of the “Global Teamwork for Tomorrow” three-year mid-range management plan which was implemented from April 2010 through March 2013.

Consolidated Business Results for FY2008 through FY2013

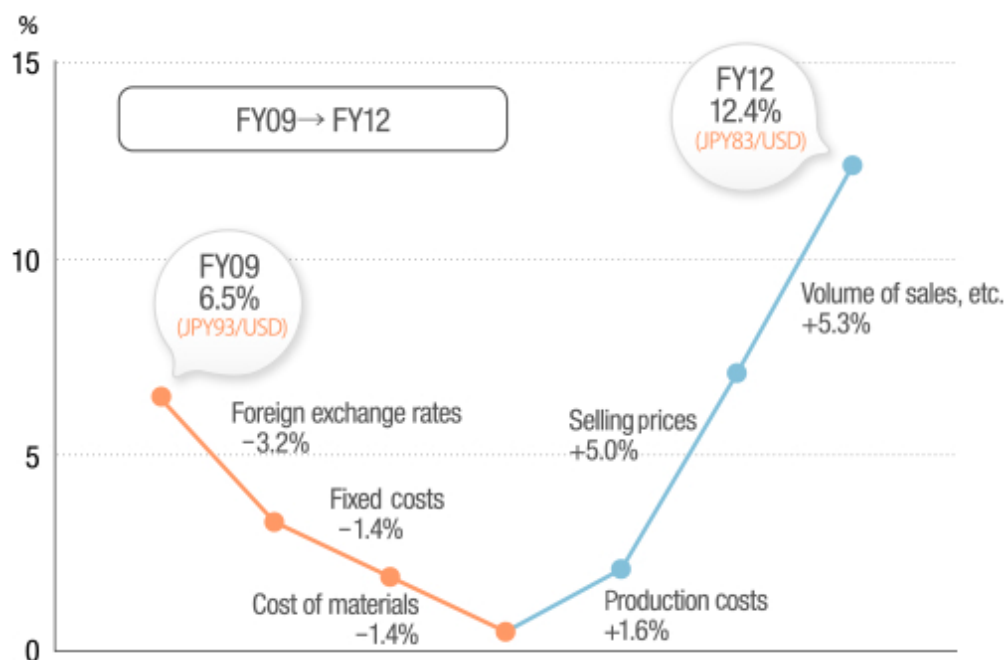


Under "Global Teamwork for Tomorrow", we worked on ICT applications for products and parts, product development for improved environmental friendliness and safety, expansion of sales and service operations in Strategic Markets, and promotion of continuous improvement by strengthening workplace capability.

During that three-year period, we weathered dramatic changes in our business environment, as represented by the sharp expansion and fall in demand for construction and mining equipment in China and Indonesia, the dynamic increase and drop in demand for wire saws, and the occurrence of the Great East Japan Earthquake. Furthermore, the Japanese yen appreciated against other major currencies considerably, far more than our estimation for the mid-range management plan.

For FY2012 or the final year of the plan, consolidated net sales totaled JPY 1,884.9 billion, operating income, JPY 211.6 billion and net income attributable to Komatsu Ltd., JPY 126.3 billion. Regrettably, we weren't able to achieve the targets of the plan. Under such challenging conditions, however, we concerted efforts on the development of high value-added products by focusing on environmental friendliness, safety and ICT, such as hybrid hydraulic excavators and new emission standards-compliant models, worked on the reduction of production costs, as represented by the "Up 30% Productivity Program" at all plants in Japan, promoted the reform of marketing operations, such as the Zero Inventories at Distributors program, and made all-out efforts for continuous reduction of fixed costs under the key concept of "separation of costs from growth". As a result of these efforts to improve profitability, I believe we were able to strengthen our corporate muscle.

■ Operating Income Ratio



●● When you compare the segment profit ratio of the construction, mining and utility equipment business for FY2009, the first year of the "Global Teamwork for Tomorrow" mid-range management plan, you can see that we were able to improve it to 12.4% for FY2012 by compensating for a negative factor of the Japanese yen's appreciation, mainly by improving selling prices and production costs.

Q5

You have announced a new mid-range management plan with the target year of FY2015. Please tell us how you are perceiving future market conditions and basic policies based on this perception.

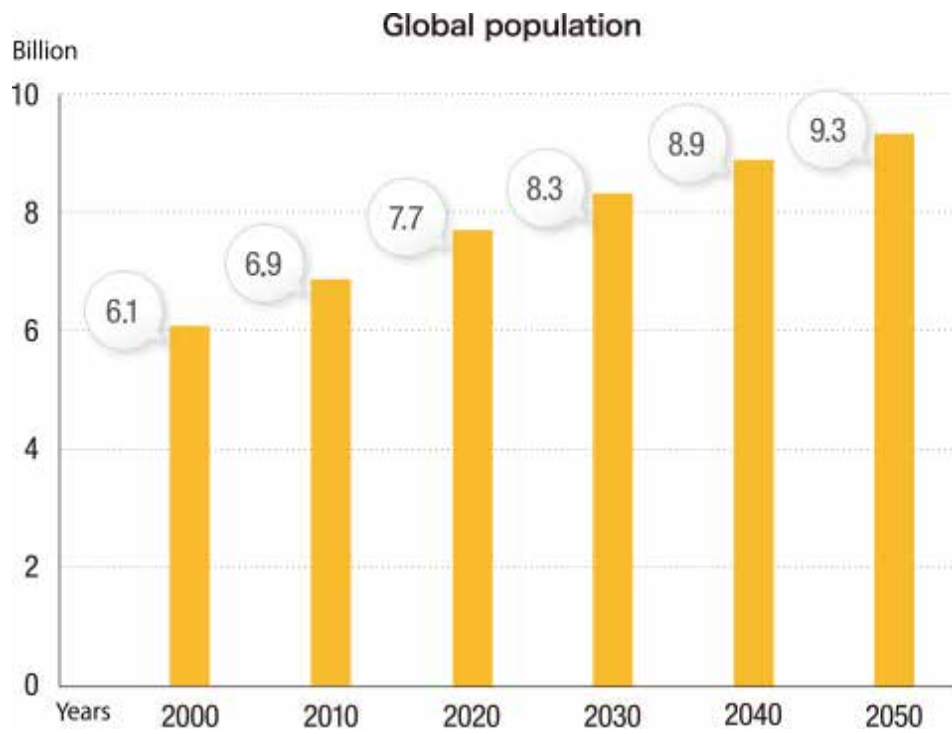
Chinese and Indian markets, which have driven global demand for construction and mining equipment, are entering an adjustment phase, and thus I don't expect to see dynamic upturn of global demand in two to three years. In the mid to long-range perspective, however, we can anticipate that the supply and demand for commodities will become tighter, as global population continues to grow. We can also expect demand for construction equipment will steadily advance, especially in Strategic Markets, against the backdrop of growing urbanization rates.

While the Japanese yen had remained strong against all major currencies since the so-called Lehman Shock, it has come out of this temporary phase of "super appreciation" and has recently entered a depreciation phase. Instead of alternating between joy and grief over short-term fluctuations, I strongly believe it is important for us to further strengthen our corporate muscle to generate profits under any conditions.

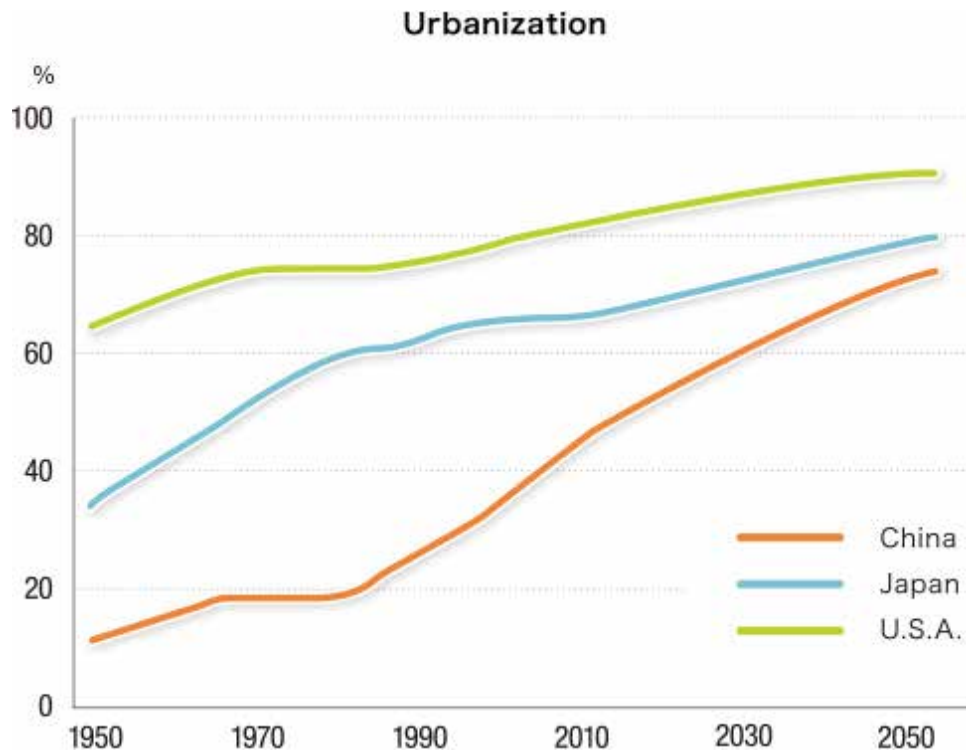
Under the new mid-range management plan, we continue to focus our efforts on the core businesses of construction and mining equipment as well as industry machinery and will propel our operations according to the basic policies below in such a business environment.

- (1) To prepare for the future expansion of demand, we will sow seeds seamlessly.
- (2) To become indispensable to our customers, we will improve our understanding of Gemba (workplace) and converge the strengths of our distributors, suppliers and employees.
- (3) To keep a distance from pricing competition and strengthen relationships with our customers, we will promote our growth strategies to expand business in the value chain by taking full advantage of ICT.

■ Population of the world (Source: United Nations)



Global population will continue to grow and we expect that demand for commodities will expand in the long-term perspective.

Urbanization rates in the world (Source: United Nations)

Long and mid-range concentration of the population in urban areas should continue, especially in emerging countries, and we project that demand for construction equipment should expand, as it will be needed for infrastructure development, such as road and railway construction, as well as civil engineering and construction.

Q6

Please give us an outline of the new mid-range management plan and specific goals.

Under the plan, we will be focusing our efforts in these areas, and we have set these target figures to achieve by the end of FY2015.

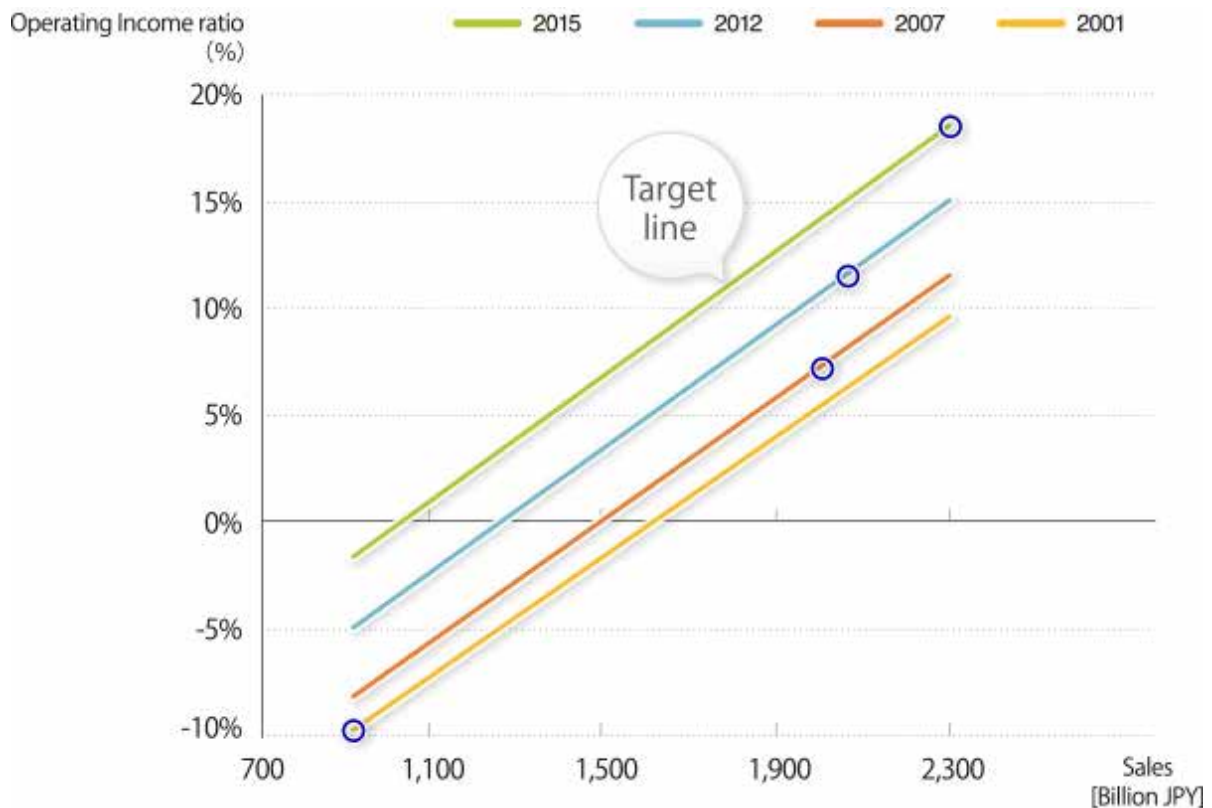
- (1) We work to attain the industry's top-level profitability and financial position. (We will lift the target profitability line by strengthening our earning fundamentals.)
- (2) We will increase the level of profit redistribution to shareholders.
- (3) We will improve net debt-to-equity ratio and ROE, as we invest in our future growth.

■ Targets for FY2015

		FY01 Results	FY07 Results	FY12 Results	FY12 Targets of the former mid-range plan	FY15 Targets	
Profitability	Operating income ratio	-1.3%	14.8%	11.2%	15%	18 - 20%	
Profitability & Equity efficiency	ROE	-18.5%	25.1%	11.5%	20%	18 - 20%	
Soundness	Net debt-to-equity ratio	1.09	0.39	0.49	0.4 or below	0.3 or below	
Redistribution to shareholders	Consolidated payout ratio	-	20.0%	36.2%	Stable dividend 20 - 40%	Stable dividend 30 - 50%	
Guidelines	Sales [Billion JPY]	1,035.8	2,243.0	1,884.9	2,000 ±100	2,300 ±200	
	Foreign exchange rates	JPY / USD	126	114	83	90	90 - 95
		JPY / EUR	111	162	107	125	120 - 125
		JPY / RMB	15.2	15.3	13.2	13.5	15.0 - 15.3

■ Simulation of operating income ratio

[Assumed foreign exchange rate: JPY 90 / USD]



●● Target line [translated by a foreign exchange rate of JPY 90 / USD]

When the effects of foreign exchange rates are removed, the sales and operating income ratios are correlated. Our management target is to lift the target profitability line by strengthening our earning fundamentals.

We have steadily improved profitability as seen for FY2001, FY2007 and FY2012. We are working to further lift this profitability line under the new management plan.

As the business conditions, such as currency exchange rates and demand, change dramatically nowadays, it is important to build a strong corporate muscle capable of generating profits under any circumstances. Based on structural reforms we have carried out thus far, we will strive to further improve our profitability by promoting our growth strategies which capitalize on our strengths.

With respect to profits gained from business growth, we will continue to allocate, in a well balanced manner, mainly as redistribution to shareholders, investment in future growth and social contribution. Concerning cash dividends to shareholders, as we maintain our continuous and stable dividend policy by reflecting consolidated business results, we will work to further increase redistribution to shareholders. Specifically, we have set the goal of a consolidated payout ratio (the total of annual cash dividends paid as a percentage of net income attributable to Komatsu Ltd. for the year) as follows.

We have set the goal of a consolidated payout ratio of 30% or higher, as long as the consolidated payout ratio does not surpass 50%. (Previously: we set the consolidated payout ratio of 20% or higher, and would not decrease dividends, as long as the consolidated payout ratio did not surpass 40%.)

Q7

Would you elaborate on the growth strategies based on innovation, which you have positioned as one of the basic strategies in the new mid-range management plan?

To answer your question, we are going to change customers and our own businesses through innovation in order to create new earnings sources.

One example is our Autonomous Haulage System (AHS). Our world's first AHS driverless dump trucks have helped our mining customers improve safety and productivity at their mines since their commercial deployment in 2008, and with them we have created a new business model in the form of supporting their remote fleet management.



●● 930E-AT driverless dump truck in Australia

In April this year, we exhibited our medium-sized Machine Control D61PXi bulldozer, and medium-sized Machine Control PC210LCi hydraulic excavator (under development) at the Bauma international trade fair for construction equipment in Munich, Germany. These ICT-intensive models are equipped with fully automatic control of their working gears according to construction design data and 3-D GNSS information for the first time in the world. These models will not only dramatically streamline construction and surveying tasks but will also enable remote guidance of daily work based on design data; daily management of work progress, such as measurement of moved earth and survey after work ; and process planning, all by consolidating machine operating information to KOMTRAX. In other words, they will transform construction jobsites into a "manufacturing plant floor" and enable detailed management of work by making everything "visible." ([For more information, go to the feature section.](#))

Whether it may be construction and mining equipment or the industrial machinery domain, we are going to reinforce our DANTOTSU products, service and solutions, all which are designed to make machines and the work process "visible" by taking full advantage of ICT. We will be getting more involved in our customers' jobsites as a manufacturer and learn completely about our customers' work so that we can create innovation together with them in order to improve their productivity and safety. In this manner, we will develop new business opportunities and strive for future growth.

To realize such innovation, we will, of course, not only continue efforts to enhance our in-house technology development capability, but also proactively look into collaboration with companies having leading-edge ICT expertise, as well as with academia.



●● D61PXi Machine Control bulldozer (center) and PC210LCi hydraulic excavator (right) at Bauma



Komatsu Industries Corp. launched the KFL Series fiber laser-cutting machine in May 2013. This series features an in-house developed oscillator, with a cutting speed of the world's top level (1.0 mm-thick stainless sheet) and about 80% reduction in running costs (compared to our conventional model)

Q8

What are you going to emphasize in the growth strategies of existing businesses, the second of the basic strategies?

We have been working to strengthen value-chain businesses, such as retail finance, rental equipment, parts and service, and used equipment, which offer opportunities after sales of new equipment. The size of our value chain should continue to expand, supported by a growing size of our machine population. In this light, we expect to enjoy big opportunities in our existing businesses. As we take the best advantage of our strength of global sales and service networks and keep a distance from pricing competition, we are focusing our attention on customers' merits for our further growth.

As of March 2013, the number of units installed with the KOMTRAX (Komatsu Machine Tracking System) topped 300,000 worldwide. The number of large equipment equipped with the KOMTRAX Plus for use in mines amounts to about 20,000. During the current fiscal year, we are going to introduce the KOMTRAX Parts, a remote management system for parts, to China. By remotely accessing information concerning the use of and replacement with genuine parts, which is vital to maintain our product quality, we will not only sustain expected machine performance and improve the level of our service but also expand sales of genuine parts.

In the parts business, our Aftermarket Business Division, established in 2012, is taking the leadership in strengthening operations for strategic parts, such as undercarriages, buckets, teeth, filters and attachments, for which we see ample space for sales expansion.

Through resale of used equipment generated in the rental business, the reinforcement of the retail finance business, and the development of sales and service operations in promising markets, such as the Middle East and Latin America, we have many areas with growth potential in our existing businesses. We are working to expand our business in these areas.

With respect to these sales and service operations, we are promoting our brand management activities in which we make customers' real problems "visible" from their perspective, deepen the relationship with them by solving the problems together with them and increase their dependency on us. We will be continuing such brand management activities as one of our main commitments.



●● Xcentric™ Ripper

We have acquired the exclusive distribution rights in 82 countries and regions of the world for Xcentric™ Ripper attachments for use in breaking rocks and demolition. We are starting pilot sales in China and the United States with a promising size of demand.



●● Training program for distributors in Indonesia for the PC200-8MO hydraulic excavator, a new Strategic Markets-specific model

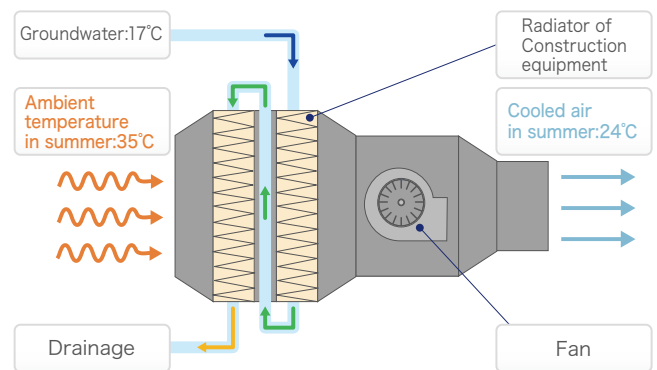
Q9

What are you planning to emphasize in structural reforms designed to reinforce the business foundation, the third one of the basic strategies in the mid-range management plan?

Since 2001, when we began reforming our business structure in order to strengthen our foundation, for 12 years we have consistently worked on cost reduction and prevention of increase by advocating separation of costs from growth. Under the new mid-range management plan, we are going to make aggressive investment in necessary areas based on the growth strategies I have mentioned; however, we are also determined to keep the current level of overall fixed costs by generating ideas and further streamlining operations while engaging in structural reforms.

At our plants in Japan in 2011, we launched the project to cut electric power consumption in half, and we are going to unfailingly advance it and generate good results. Today, factory buildings of 40 years old or older account for about 60% of total floor space of our plants in Japan. We are going to renew those old buildings and manufacturing equipment with new buildings installed with leading-edge, energy-efficient equipment. New buildings will take advantage of solar power, natural lighting, groundwater and waste heat, for example. While working to reduce electric power consumption in half, we are also going to improve productivity.

From the viewpoint of linking customers directly to our plants, we are working to simplify and streamline our operations. Concerning spare parts, we are linking distributors directly to plants, thereby improving profitability by cutting down trading inventories and transportation costs. We have already linked four overseas subsidiaries to our plants, and are planning to link eight more subsidiaries in FY2013.



●● Our groundwater cooling system (left) introduced to an office building inside the Awazu Plant and its conceptual drawing (right)

This system uses groundwater at a constant temperature of about 17 degrees Celsius, throughout the year, to cool the air for comfort in summer, and waste hot water generated inside the Plant to heat the air for warmth in winter. This system uses a radiator of construction equipment as its heat exchanger. Compared to common air conditioning systems of the same capacity, our system enables an outstanding reduction of electric power consumption. (Groundwater used to cool the air is returned to the ground in its original quality to minimize its impact on groundwater resources.)

Q10

Please discuss your projection of business results for FY2013, the first year of the new mid-range management plan.

We are assuming the foreign exchange rates of the Japanese yen in FY2013, to be JPY95 per USD, a depreciation of JPY12.5 from FY2012, JPY123 per EUR, a depreciation of JPY16.3, and JPY15.3 per RMB, a depreciation of JPY2.1.

For FY2013, we are projecting that consolidated net sales should amount to JPY2,050 billion, up 8.8% from FY2012, operating income should reach JPY305 billion, up 44.1%, operating income ratio should increase by 14.9%, and ROE should improve to 14.6%

	FY2012	FY2013 (Projected)	Change
Consolidated net sales	JPY1,884.9 billion	JPY2,050 billion	+8.8%
Operating income	JPY211.6 billion	JPY305 billion	+44.1%
Operating income ratio	11.2%	14.9%	+3.7 pts
Net Income attributable to Komatsu Ltd.	JPY126.3 billion	JPY184 billion	+45.7%
ROE	11.5%	14.6%	+3.1 pts
Net debt-to-equity ratio (excl. the retail finance business)	0.49 (0.20)	0.39 (0.12)	0.10 pts Improvement (0.08 pts Improvement)

With respect to mining equipment, we are anticipating that multinational mining companies will curtail capital investment, as uncertain conditions are remaining over the prices of mineral resources, centering on coal. Compared to FY2012, our record-high year of sales, we are estimating a decline in sales for FY2013 on a volume basis which excludes the effects of foreign exchange translation.

Meanwhile, demand for construction equipment is remaining strong in Japan, where full-scale reconstruction projects are expected to start in the earthquake and tsunami destroyed regions, as well as in North America, where demand is brisk in the rental and housing sectors. In Indonesia, where demand nose-dived last year, it is beginning to recover. In China, where demand has remained sluggish since FY2011, it is seemingly bottoming out, centering on small models.

With respect to the construction, mining and utility equipment segment in FY2013, we are expecting that volume of sales will decline slightly from FY2012, but sales after internal transactions should increase by 10.2% to JPY1,848 billion, as affected by the Japanese yen's depreciation. Similarly, segment profit should advance by 44.5% to JPY302 billion, with the help of reduced fixed costs and improved selling prices, which have resulted from our continuous efforts, in addition to the Japanese yen's depreciation. In the industrial machinery and others segment, while demand for presses and machine tools remains steady in the automobile manufacturing industry, we estimate that both sales and segment profit will decline slightly from FY2012, as mainly affected by sluggish demand for wire saws.

As we face these market conditions, while making continuous efforts to increase selling prices and cut down costs, we are also working to expand sales of high value-added products on the construction equipment market, such as new emission standards-certified models, for example, Tier 4 in North America, to reinforce North American distributors' rental businesses, and to expand the aftermarket business, in particular, to advance profits.



Construction Equipment for the Future and with a Future



intelligent Machine Control

[Our Machine Control Technologies](#)

[Report on Seeding Activities in North America](#)

[Future Potentials](#)

We've come a long way. Back in 1943, we developed Japan's first bulldozer, which has paved the way for us to become a full-line construction equipment manufacturer today. In April this year, we unveiled the world's first Machine Control dozer with fully automatic blade control, D61PXi-23, together with a prototype Machine Control hydraulic excavator, PC210LCi-10, at the Bauma 2013 International Trade Fair in Germany.

The built-in 3D automatic blade control of the dozer receives real-time information of the blade position from the GNSS* and controls the blade according to 3D CAD construction data with the coordinates computed from design drawings. Therefore, the operator just needs to move the dozer toward the work target displayed on the monitor panel. The rest of his/her work is done by the dozer itself, automatically and seamlessly, from rough dozing to finish grading, as if it were operated by a veteran operator.

Thanks to the revolutionary, ongoing advancement of ICT and GNSS* technology, our industrial pace-setting dozer also enables our customers to manage their jobsite conditions, such as work progress, as it is equipped with the survey function for earthmoving work. As our customers and we share our respective areas of expertise to "visualize" their jobsite operations based on data transmitted from our Machine Control construction equipment, we believe that in the near future we will be able to innovate and realize ideal jobsite operations, which feature unprecedented safety, productivity and efficiency. We are excited about this first step forward to a promising future of automating construction jobsite operations.

* GNSS: Global Navigation Satellite System is a general term for navigation systems, which are developed by different countries, e.g., GPS by the United States and GLONASS by Russian Republic.

Our Machine Control Technologies



The challenge of machine control is to make blindfolded machines perform the skills of veteran operators who can operate bulldozers while looking at work conditions and predicting work ahead. This challenge is also a driving motivation for engineers.

Takahiro Shimojo

Manager, ICT Development Group,
Construction Equipment Technical Center 1,
Development Division

It is said that bulldozers are more difficult to operate than various other construction equipment. While bulldozers are constantly in vibration, with rolls and pitches, operators need to move them at appropriate speeds as they control the heights and angles of the blade. The way they initiate a cut by positioning the blade on earth also affects construction efficiency. When the volume of earth being pushed increases, bulldozers can slip and damage the surface. To avoid overloading, they need to raise the blade and gradually level the ground. They also need to evaluate soil conditions and ground formations, and then engage in a series of complex operations [without being able to look at the blade on the surface](#). Therefore, it is said that it usually takes three years of experience before they feel competent to operate bulldozers.

Machine Control automatically manipulates the blade for the operator. Mainstream Machine Control bulldozers today are not equipped with functions to detect blade load and track slips. Therefore, they can fully demonstrate Machine Control capabilities only in finish grading. In terms of the expected volume of work starting with rough dozing, only 10% to 20% is automated. Our D61EXi/PXi-23 models are equipped with the world's first full blade control technologies from rough dozing to finish grading. Therefore, operators are required just to move them forward and backward, leaving all other tasks to our machines, such as rough dozing by automatically controlling the blade to avoid track slips, and high-precision finish grading by automatically shifting to this mode when the machines approach the design surface. We have achieved this fully automatic control by becoming able to detect blade load and track slip information. At the same time, by making the GNSS antenna built into the operator cab rooftop, we have eliminated the problems of cutting the cable and damaging the antenna after getting hit by hard objects as well as of daily mounting and dismounting tasks for the antenna.

It was very challenging for us to recreate the blade control performance of veteran operators by applying ICT. When the body of D61 models moves up and down by one degree, the position of their blade edge changes by 70 mm. Veteran operators control the blade appropriately, as they predict coming changes by using their vision and sensing their body movements. We have recreated blade control comparable to that of veteran operators by tuning more than 20 parameters which combined the iMU+ sensor responsible for recognizing body positions and the MS Mechatro Smart Cylinder capable of detecting cylinder strokes. This tuning process alone took us one year, working very closely with our Test Engineering Center to repeat many experiments.

We conducted seeding activities in cooperation with customers for our Machine Control models in the United States, a major market for medium-sized bulldozers. Seeding activities provided valuable opportunities for me to not only refine machine performance but also learn about how our machines are being used by customers from a development engineer's viewpoint. For example, I had no idea in Japan that medium-sized bulldozers are used on slope construction. The slope was nothing special when I looked at it, but it required extraordinary efforts of all involved in seeding activities to ensure accurate real-time recognition of machine positions and directions by using the 3D GNSS and iMU+ data for perfect sloping work.

Although D61EXi/PXi-23 models are now in commercial production, I think my next task as a development engineer calls for improvement of customers' jobsites in the entire construction process, from preconstruction to final survey upon completion. We must improve not only the performance of one bulldozer but also customers' productivity as a whole. In this way, we will be able to make significant contributions to them. I am now looking into this possibility.



The more ICT intensive or automated construction equipment becomes, the higher the performance and precision will be expected from key components, such as hydraulic cylinders.

Masato Kageyama

Team Manager, Control Equipment Development Group,
Hydraulic Equipment Technical Center,
Development Division

The Hydraulic Equipment Technical Center plays an indispensable role in Komatsu's commitment to in-house development and production of key components, and I feel that our Center has a particularly strong climate of creating things by ourselves, if we cannot find them available anywhere. One such example is our original MS (Mechatro Smart) Cylinder, featuring in-house developed sensors, which incorporates our electric control technologies, that have been accumulated over 20 years, and our sensor technologies that have been refined over about 10 years for hydraulic equipment. As MS cylinders are installed in construction machines, they are expected to generate big power under rough conditions. Furthermore, there are about 10 meters separating the base of their boom and their bucket, but they are required to move the bucket precisely, calling for the need for smaller than millimeter, super-precision measurement of cylinder strokes.

Before we began development, we first decided that we would never damage the durability and reliability of cylinders, which were proven over the years, by adopting sensors. We also wanted trouble-free applications to other models in the future. To this end, we decided to develop add-on sensors from the very start, without changing the basic structure of cylinders. Development of novel sensors definitely brought about continuous challenges to us.

For example, when you install a piece of magnet inside the cylinder tube made of steel which shuts out magnetism, and install a magnetism-detecting sensor, theoretically speaking, it's totally impractical. Encouraged by our supervisor, saying "Everything we have in this world has been made by those who truly believed they could make it. When you think you can't, you just can't", we repeated the production and simulation of trial sensors. One day, we discovered that we were able to detect a very small amount of magnetism which came through the steel tube, when certain conditions and shape were met.

Although we were able to detect magnetism, it turned out to be useless due to poor measurement. We faced a continuous series of new challenges, such as the fact that magnetism doesn't travel at the speed of light within magnetized material and the need to consider and evaluate even slight delays caused by very weak electricity generated within magnetized material.

In addition to developing technologies to make sensors more compact and higher in precision, we also needed to plan and develop original bench test equipment for cylinders by considering all possible conditions of machine use, and calibration, inspection and other equipment for mass production of sensors. It has taken 10 years of dedicated effort from more than 20 engineers on a cumulative basis, who were committed to components of ever higher performance and precision.



I would like to develop this model together with customers, as each and every one of us at Komatsu fully demonstrates individual talents and teams up, which is our corporate climate.

Kiwa Nishimura

Chief Engineer, Hydraulic Excavator Development Group,
Construction Equipment Technical Center 1,
Development Division

Today, we are involved in the development of the second model of Komatsu's ICT-intensive equipment, i.e., a hydraulic excavator with Machine Guidance functions. Compared to other construction equipment, hydraulic excavators perform complicated movements. For that reason alone, automation is very challenging, so we have decided to launch this model initially, in which operators are required to operate manually but which offers information needed for their operation. This model is in the final test stage, which assumes actual jobsite operations, and is just around the corner for commercial production.

Unlike the conventional development of mechanism-oriented products, the development of ICT-intensive products called for more orientation on applications, which meant designing the monitor in consideration of how the machine is going to be used. Our development project began in 2009 by getting not only development and production people involved, but also product support people who are very familiar with how the machine is used by customers as well as people of ICT device makers at start-up. It was a challenge by one group of people with different expertise. It was also the first experience for me to collaborate with people routinely working at different sites in Japan and abroad, and I have reconfirmed the importance of sharing information and communications.



●● Komatsu demonstrated a pilot model of the Machine Control hydraulic excavator with fully automatic excavation functions at the Bauma trade fair in April 2003.

Reference: While the operator kept his hand away from the lever, the bucket was automatically moving to shape the design surface.

Intelligent Machine Control User Seeding in North America



Global teamwork and expert customers have proven to be a key to product development success.

Jason Anetsberger

Product Manager, Intelligent Machine Control Group,
Komatsu America Corp.

The adaptation of Machine Control technology is becoming a very important agenda topic of the construction industry today. Along with Australia and Europe, North America is marked by high installation rates of Machine Control technology on customer's machines. With Komatsu's announcement of the world's first intelligent Machine Control dozer in April 2013, the D61PXi/EXi-23, we were well prepared to introduce the next generation of Machine Control technology for improved customer efficiency and operational benefits. Key to the success of the intelligent Machine Control technology was the incorporation of customer feedback and prompt evaluation early on in the development phase by way of user seeding activities in North America during 2011 and 2012.

■ Partnering for the future

User seeding activities for our intelligent Machine Control dozers consisted of placing pre-production machines in the hands of actual end users on various jobsites. Overseen by Komatsu America Corp., a U.S. subsidiary of Komatsu Ltd, the jobsites ranged across a wide region of North America. Using the final phase of these activities in 2012 as an example, three different contractors with prior machine control expert experience operated a pre-production D61PXi-23 dozer for two weeks each. Approximately 200 hours of customer operation time by six different operators were logged on jobsites ranging from residential site preparation to large road works to environmental & landfill development. Participating customers were selected based on their high level of prior machine control experience, their ability to place the machine in demanding applications requiring the highest levels of machine performance, and their willingness to partner with Komatsu on this key development activity. Customers were asked to not only operate the machines as they typically would do so with conventional Machine Control, but also to test Komatsu's first fully automatic blade control dozing features which allow automated operation from rough dozing through finish grading.



- The pre-production D61PXi-23 at a customer's environmental landfill application in August 2012. Such jobsites emphasized the importance of high-accuracy slope performance.

■ Customer feedback improves machine performance

During the user seeding activities in North America, I was able to extensively use over 10 years of industry experience as a degreed mechanical engineer. As the local lead, I would like to emphasize that partnering with our customers in this user seeding activity was a win-win scenario for all involved. For our customers, they are now able to purchase a machine with technology and feature sets based on direct end user feedback. For Komatsu, the ability to strengthen the product's capabilities and validating it in real word customer use on actual jobsites, prior to market release, is immeasurable.

One of the key Komatsu takeaways from the user seeding activities was the importance of steep slope performance in specific applications. Komatsu engineers from Japan were able to witness customers' use of the pre-production machine on steep slopes which led to the addition of steep slope performance criteria for the final production machine validation to ensure that customer accuracy and performance expectations were met by Komatsu intelligent Machine Control dozers. Komatsu's Test Engineering Center in Japan was also re-worked to include steep slopes in the configurations encountered during the user seeding activity to ensure this and future intelligent Machine Control dozers meet those same requirements. Being the eyes and the ears at the customer's jobsite daily for the entire Komatsu team was personally rewarding and emphasizes Komatsu's desire to fully understand the customer's application so we can deliver products that become indispensable to all customers' operations.



●● Steve Ristow, President of Schneider Excavating Inc., operates the pre-production D61PXi-23 at a Milwaukee, WI residential development jobsite. Steve comments, "I liked it, right on track... great visibility with sloping nose and GPS antenna removed from blade."

■ Global teamwork speeds development

Reacting quickly to customer requests is very important to keep the user seeding activities progressing. Komatsu and its key development partners leveraged staff across the globe in the development of the intelligent Machine Control technology with personnel participating from Japan, the United States, Australia, and Russia to name a few. In this manner, we were able to make all customer identified improvements in the last round of user seeding activities. While the actual user seeding activities occurred in North America, work load was shared worldwide by the global development team. When a customer requested a change to improve the intelligent Machine Control software or an issue was observed, we were typically able to have that customer evaluating the updated software within one to two days. Just as the sun was setting in North America, our colleagues overseas were able to start working on the updates.

■ Foundation set for success

To complete the user seeding activities, a final customer focus group and machine performance evaluation were held at Komatsu America Corp.'s customer demonstration and training facility during the fall of 2012. All of the attending customers were expert machine control users: half had previously participated in the user seeding activities, while the other half had not and were acting as fresh independent verification. The success of all the development and improvements made as a result of user seeding enabled the customer focus group to positively conclude the D61PXi-23 was ready for market introduction without further changes. The true measure of success for the user seeding results was shown with the first D61PXi-23 being sold and delivered to a customer in North America without as much as a demonstration. The beauty of the D61PXi/EXi with intelligent Machine Control is that it practically sells itself with its strong value proposition, extensive features and benefits. I can't be more proud of the role Komatsu America Corp. and our customers played in the development of Komatsu's intelligent Machine Control technology. The future for this scalable technology is very exciting.

Future Potentials of Machine Control Construction Equipment and ICT-intensive Construction



Kazunori Kuromoto
Senior Executive Officer
President,
ICT Business Division

■ The Root of ICT Applications to Construction and Mining Equipment

Our ICT applications to construction and mining equipment started with KOMTRAX (Komatsu Machine Tracking System) in the last half period of the 1990s. KOMTRAX collects information from GNSS* and sensors installed in the equipment and enables owners to remotely check on machine locations and operating conditions. We equipped our flagship hydraulic excavators with KOMTRAX as a standard feature in 2001. As of March 2013, the number of KOMTRAX-equipped units topped 300,000 worldwide.

Our applications of KOMTRAX data have been evolving, ranging from machine locations, theft prevention by means of locking the engine and credit management of customers being financed in China to supporting fuel-economy operation by using data concerning operating conditions and fuel consumption as well as sending notices for maintenance and parts replacement according to hours of operation of machines. All these activities have been created and carried out independently by our distributors worldwide.

In addition to KOMTRAX, we have been developing and applying new ICT hardware for our equipment, for example, KOMTRAX Plus for mining equipment, KOMTRAX Parts which we are planning to introduce during the current fiscal year, and Machine Control models which we unveiled at the Bauma trade fair.

We have been evolving ICT applications dynamically, but you can still find a common approach or the same root in all our different systems. Our ICT applications are a system to make "visible" how our machines are being used by customers on their jobsites. Accordingly, it is the purpose of ICT applications that we develop and provide customers with services which are truly valuable for them (solutions) by using "visualized" data.

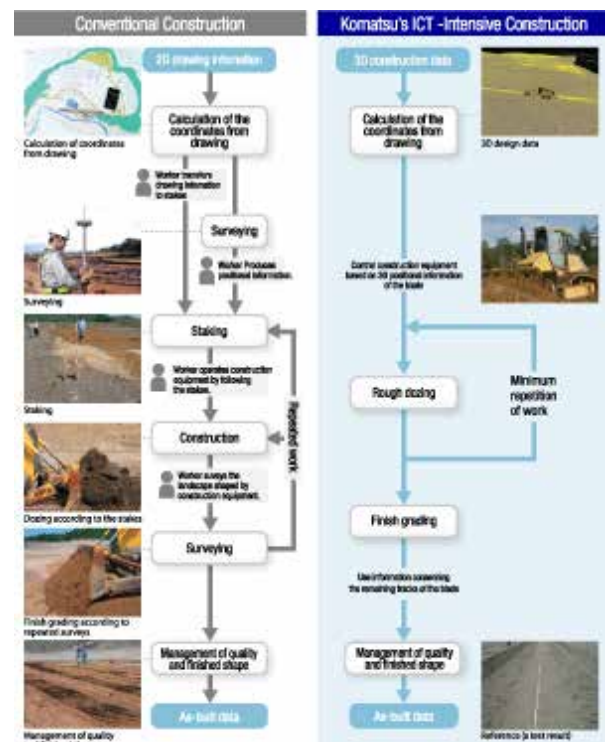
* GNSS: Global Navigation Satellite System is a general term for navigation systems, which are developed by different countries, e.g., GPS by the United States and GLONASS by Russian Republic.

■ ICT-intensive Construction Equipment to Transform Construction Jobsites into Manufacturing Plants

By focusing on this root, we have developed D61EXi/PXi Machine Control bulldozers and our PC210LCi pilot Machine Control hydraulic excavator to propose as our DANTOTSU solutions, a higher-level service, and we displayed them at the Bauma trade fair.

Featuring the world’s first fully automatic blade control, D61EXi/PXi models perform high-precision blade control, comparable to veteran operators, from rough dozing to finish grading according to 3D design information. It can also offer a high-precision, real-time survey of landscape upon completion of work by using GNSS.

I believe that we should be able to achieve a high-end civil engineering and construction workflow in the near future, where each and every D61EXi/PXi and PC210LCi model seamlessly performs all needed tasks, from surveying to excavation, finish grading and inspection surveying, and feedback through real-time progress reports and as-built data (after-work landscape information). We are studying a system which will link the daily operational data of D61EXi/PXi bulldozers to KOMTRAX, thereby "visualizing" construction jobsites, as if they were manufacturing factories in order to further improve customers’ operational efficiency.



Especially in North America, post-construction inspection is accepted in the form of GNSS survey data, which had widespread ICT-intensive construction earlier on and made good progress.

■ What Is The True Value Expected on Jobsites?

We can reasonably believe that not all customers want high-end construction. In some emerging countries, for example, customers want to train machine operators and make more efforts on attendance management of workers. What is expected of us by our customers differs greatly, depending on individual customers' needs.

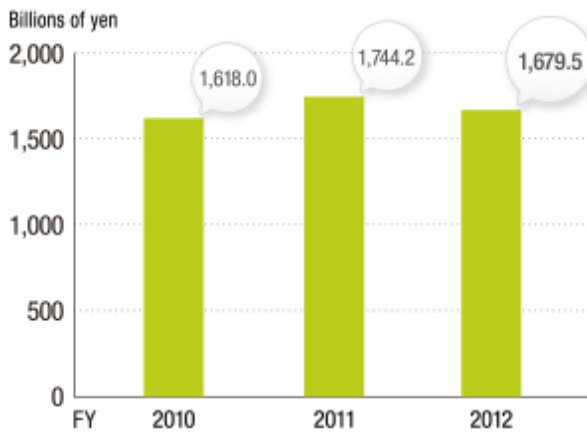
As I have mentioned above, the root of our ICT applications goes back to our "visualization" of customers' jobsites where our machines are used. Accordingly, what we must do calls for facing our customers straight on with obtained data, getting involved in their jobsite work and working to generate ideas together with them and create truly valuable solutions. Therefore, Machine Guidance or Machine Control construction equipment is only one of our attempts.

We at Komatsu define our brand management as focusing on customers, deepening our relationship with them, looking into their vision and working together with them to achieve it. I believe reinforcement of this brand management approach and promotion of ICT applications to products are the paired wheels.

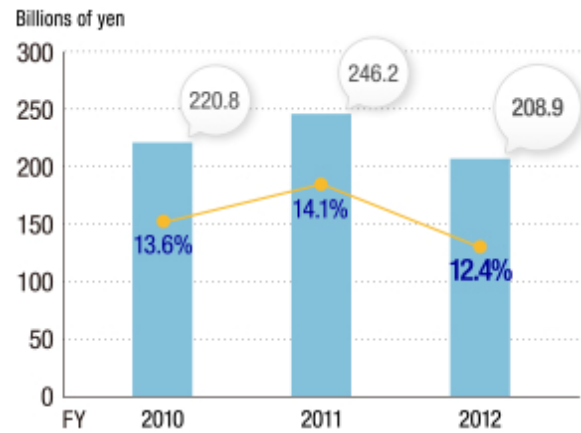
DANTOTSU (Unrivaled) Solutions are not born from ICT but always from customers' jobsites and continue to grow there. We are committed to promoting ICT applications to our machines from jobsite and customer orientations.

Construction, Mining and Utility Equipment

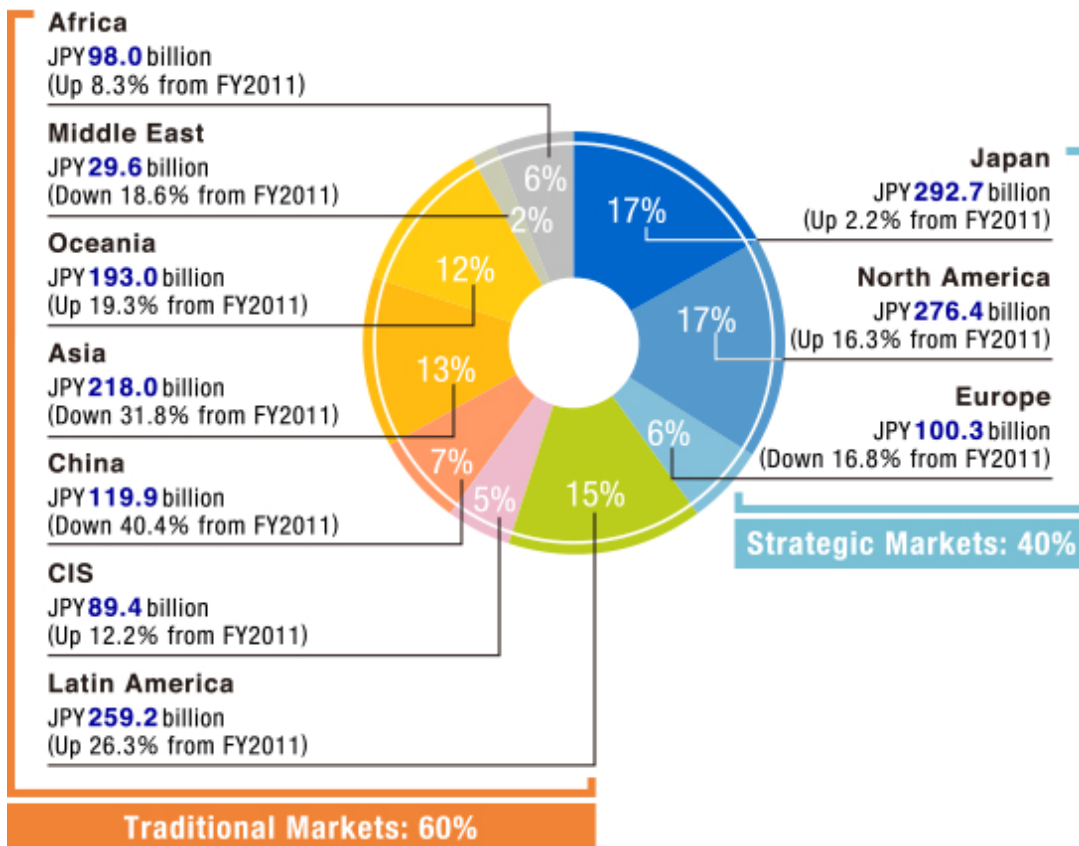
Sales



Segment Profit and Ratio



Sales by Region for the Fiscal Year ended March 31, 2013 (To Outside Customers)



With respect to construction equipment, while demand increased in North America and Japan from the previous fiscal year, Chinese demand for hydraulic excavators dropped considerably. As a result, global demand remained sluggish. On the mining equipment market, centering on Indonesia, while demand for equipment declined as adversely affected by the falling price of coal, demand increased steadily for equipment, as well as parts and service from the previous year, especially in Latin America and Oceania. With this background, consolidated sales of construction, mining and utility equipment decreased by 3.7% from the previous fiscal year, to JPY1,679.5 billion (USD17,868 million). Segment profit declined by 15.2% to JPY208.9 billion (USD2,223 million).

To further enhance profitability and reinforce its corporate strength, Komatsu continued efforts to increase selling prices, reduce production costs and improve operations designed to flexibly respond to changes in foreign exchange rates and market demand. Komatsu also worked to reinforce its aftermarket business by improving its strategic parts operation which includes buckets and teeth, the demand for which is strong, especially in Strategic Markets and the mining industry, as well as its Reman operations. With respect to production operation, Komatsu embarked on full-scale efforts to cut down electric power consumption at all plants in Japan during the fiscal year under review.

With respect to product development, Komatsu continued its efforts on products which feature advantages in the areas of environmental friendliness and fuel economy. Following North America and Europe, Komatsu launched new emission standards-compliant models in Japan in July last year. Combined with these models, Komatsu began offering the Komatsu CARE, a new service program designed to reduce the total lifecycle costs of these models and prolong machine life. Komatsu also continued to expand sales of HB205 and HB215LC hybrid hydraulic excavators worldwide, and topped cumulative sales of 2,000 units in March this year. In the forklift truck business, Komatsu launched sales of FH Series hydrostatic-driven forklift trucks in Japan in July last year, which feature Komatsu's technological expertise in hydraulic control accumulated and refined for construction equipment over the years. With steady orders received since then, Komatsu embarked on overseas sales in February 2013.

Japan

Since around 2000, the volume of surplus used equipment exported from Japan, had surpassed demand for new equipment. It has now bottomed out, and demand has grown for construction equipment for use in restoration and reconstruction, centering on rental companies, since the Great East Japan Earthquake. As a result, demand steadily grew and sales increased from the previous fiscal year. Concerning new emission standards-compliant models, Komatsu has launched 30 models in total since July 2012 and has worked to expand sales in Japan. In solid collaboration with its distributors, Komatsu has also continued to increase the retail prices of all major models from the previous fiscal year.

North America

Demand grew from the previous fiscal year, supported by increased demand in the housing sector, as well as strong demand in the rental and energy development industries. With respect to new emission standards-compliant models, Komatsu has aggressively been introducing them by combining them with the Komatsu CARE program. As a result, these models have moved up to the top 70% of total sales of new Komatsu equipment on a unit basis. In response to strong demand for rental equipment, Komatsu worked to reinforce distributors' rental equipment business. As a result of these efforts, Komatsu increased sales from the previous fiscal year.

Europe

As demand remained sluggish, even in the major markets of Germany, France and the United Kingdom, sales decreased from the previous fiscal year. While steadily advancing the market introduction of new emission standards-compliant models, Komatsu concerted efforts to prepare for the launching of ICT-intensive construction equipment, designed to automate construction, in Europe in the current fiscal year ending March 31, 2014.

Latin America

Demand for mining equipment remained strong, centering on copper mines in Chile and Peru, while demand for construction equipment was sluggish in Brazil, the largest market of the region. As a result, overall demand for equipment was firm. Komatsu capitalized on strong demand for mining equipment and pushed sales for the year up to a record-high level.

CIS

Demand remained firm, especially in gold mines, and sales increased from the previous fiscal year. Komatsu has reached agreements with Pacific National University and Far Eastern Federal University to collaborate in human resource development for construction, mining and road construction equipment. In October 2012, Pacific National University began the first course.

China

Although the government introduced credit-easing measures, there were still no clear signs for new infrastructure development start-ups in the fiscal year under review. Demand for hydraulic excavators plunged considerably from the previous fiscal year, and sales dropped drastically from the previous fiscal year. In response to this sharp decline in demand, Komatsu focused its efforts on assessing retail market conditions right away and maintaining an appropriate level of inventories, by maximizing the use of the KOMTRAX (Komatsu Machine Tracking System). As there are some signs of demand bottoming out at last, Komatsu has recovered post-Chinese New Year sales of hydraulic excavators to the level of the previous year on a unit basis, partly reflecting the market introduction of new 20-ton class hydraulic excavators in February 2013, designed particularly for a fuel economy.

Asia

While demand advanced for use in the reconstruction of areas damaged by the flood last year in Thailand, demand plummeted drastically for large, medium-sized and small equipment for use in mines in Indonesia, the largest market of Southeast Asia, particularly affected by the falling price of thermal coal. As a result, sales dropped sharply from the previous fiscal year.

Oceania

Demand for mining equipment for use in iron ore mines, as well as for construction equipment, remained steady, and sales increased from the previous fiscal year. Concerning the large-scale project to deliver driverless dump trucks to iron ore mines in Australia, under a Memorandum of Understanding signed by Rio Tinto and Komatsu in November 2011, Komatsu and Rio Tinto have continued to make steady and sound progress for success as a solid team.

Middle East

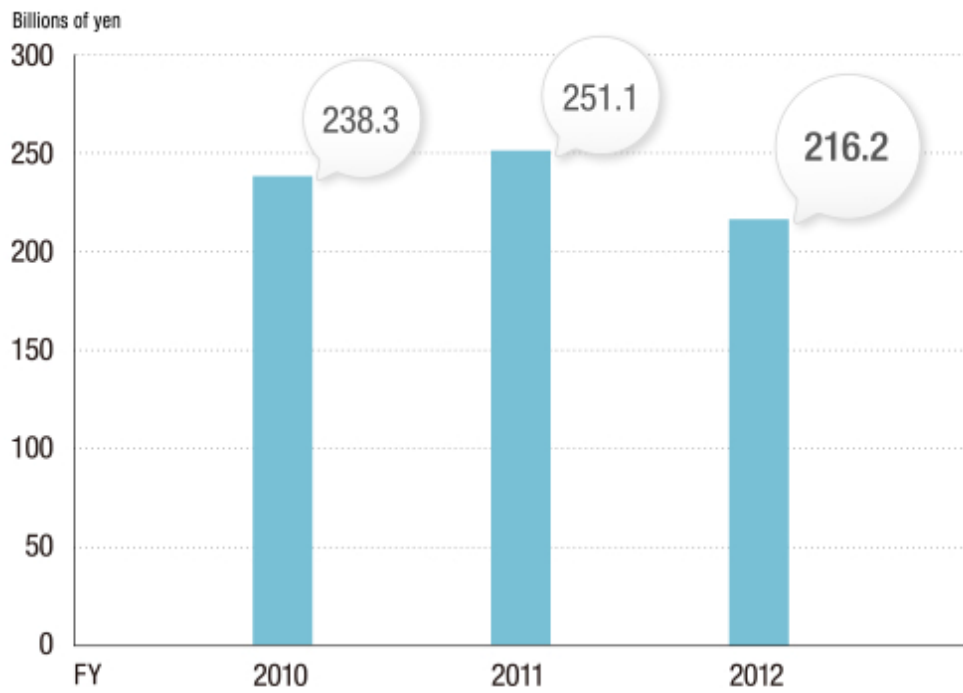
Sales declined from the previous fiscal year, particularly affected by sluggish demand in Turkey, the major market of the region. In October last year, Komatsu opened a new distribution base in Dubai and worked to reduce inventories of distributors and shorten delivery time. In Saudi Arabia, with promising growth in demand, Komatsu signed a new distribution contract with a leading local company in December last year.

Africa

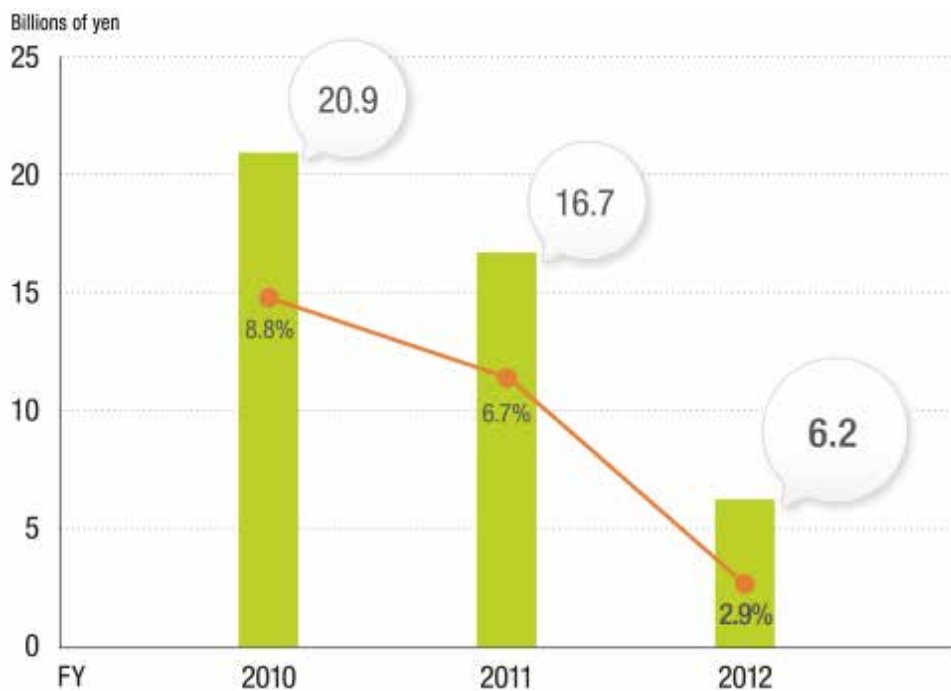
Sales increased from the previous fiscal year, supported by firm demand for equipment for use in gold mines in particular. Komatsu also continued to strengthen its sales and product support operations by opening new parts depots, jointly with distributors in southern Africa and implementing other measures, in order to improve its spare parts delivery operation. As part of its brand management activities, Komatsu made efforts jointly with a mining customer in South Africa to reduce the fuel consumption of machines owned by the customer by analyzing KOMTRAX information.

Industrial Machinery and Others

Sales



Segment Profit and Ratio



While sales of large presses and machine tools increased from the previous fiscal year, sales of wire saws dropped sharply from the previous fiscal year. Additionally, extraordinary demand for temporary housing units in the earthquake-destroyed regions came to an end. As a result, sales of the industrial machinery and others business declined by 13.9% from the previous fiscal year, to JPY216.2 billion (USD2,301 million). Segment profit decreased by 62.9% to JPY6.2 billion (USD66 million).

Komatsu concerted its efforts to develop new products with improved productivity, safety and environmental friendliness. In March this year, Komatsu embarked on sales of the H1F-2 AC Servo press and the PVS8525 AC Servo press brake, which followed the NTG-4SP grinding machine launched in November last year. With respect to the laser-cutting machine business, Komatsu carried out organizational restructuring in April 1, 2013 by consolidating development, sales and service functions of Komatsu NTC Ltd. at Komatsu Industries Corp. in order to effectively use overlapping corporate resources.

CSR and the Environment



"Responding to the demands of society through our core business" defines Komatsu's CSR activities, based on themes to be addressed globally as we forge ahead with them. By making sure our activities reflect the demands of society and the times, we will continue to pursue CSR and management in a synchronous cycle.



- CSR Theme Formulation Process
- Organization Related to CSR
- Incorporating CSR Into Management
- CSR Themes and Initiatives
- Komatsu and Global Principles
- Major CSR Activities to Date
- External Commendations and Evaluations



- Relationship with the Environment [↗](#)
- Komatsu Earth Environment Charter [↗](#)
- Power-Saving Activities [↗](#)
- Hybrid Hydraulic Excavator [↗](#)
- Enhanced Safety



- Community Based Human Resource Development
- The Right Working Conditions for Everyone
- KOMATSU Way and Human Resource Development



- Reconstructing Earthquake-hit Areas
- Dialogue with Our Stakeholders
- Initiative for CSR Procurement
- Project for Creating Safe Villages
- Frameworks for Promoting Compliance
- Risk Management

To click articles with [↗](#) , you will be redirected to "Environmental Report". Please visit "Komatsu CSR Website" to find detailed information or efforts for universal problem.

Our Approach to CSR



CSR Theme Formulation Process

Selecting CSR Priorities

In FY 2010, Komatsu formulated CSR themes with the help of BSR (Business for Social Responsibility), a US-based NPO.

The first step of the process was to select key CSR priorities that would allow us to contribute through our core business. CSR issues relevant to Komatsu's business were selected from a large number of social issues focusing on those that are important to both to our business and to our stakeholders.

■ Our CSR Priorities

● Products, Services, and Customers

- Products that enhance safety
- Responsible marketing and customer care

● Employees

- Human resource development
- Safety and health
- Respecting employees

● Ethics and Governance

- Cooperation with stakeholders
- Corporate governance and compliance
- Compliance with social norms of business partners

● Environment

- Environmentally-friendly products
- Environmental efficiency (facilities, such as plants, and job sites)
- Remanufacturing

● Human Rights

- Respecting human rights
- Equal employment

● Local Community

- Development of local communities
- Disaster relief
- Improving local residents' quality of life

Komatsu's CSR Themes and Key Business Activities

After discussions internally and with BSR regarding CSR priorities, we defined three CSR themes that could be shared on a global level. Based on the current Mid-Range Management Plan, key CSR activities relating to the CSR themes were also identified.

■ Our CSR Themes and Key Business Activities

1. Enhancing Quality of Life -Providing products required by society-

- Providing products and services that contribute to infrastructure development and improve quality of life
- Improving productivity, safety, and efficiency and enhancing energy conservation through the use of Information and Communication Technology (ICT)
- Improving environmental efficiency at operation sites and facilities, such as plants
- Reducing our impact on the environment throughout the product life cycle
- Enhancing safety for society, customers, employees, and business partners

2. Developing People

- Contributing to human resource development in local communities
- Enhancing our employees and suppliers through The KOMATSU Way
- Enhancing our employees and distributors through "Brand Management"

3. Growing with Society

- Engaging in dialogue with our stakeholders
- Providing social contributions through the use of our core technologies and resources (e.g., disaster relief or activities to remove anti-personnel land mines)
- Contributing to local communities where we do business
- Strengthening our corporate governance and compliance
- Promoting compliance with environmental, labor, and social norms within our group and among business partners

Our Approach to CSR



Organization Related to CSR

We have structured our organization to ensure that CSR is integral to how we conduct our daily business throughout our entire operations. Our CSR organization reports to the president and CEO of Komatsu. In addition, our CSR Department, with the support of the CSR Committee that includes senior leaders from across the company, plans and guides our day-to-day CSR activities.

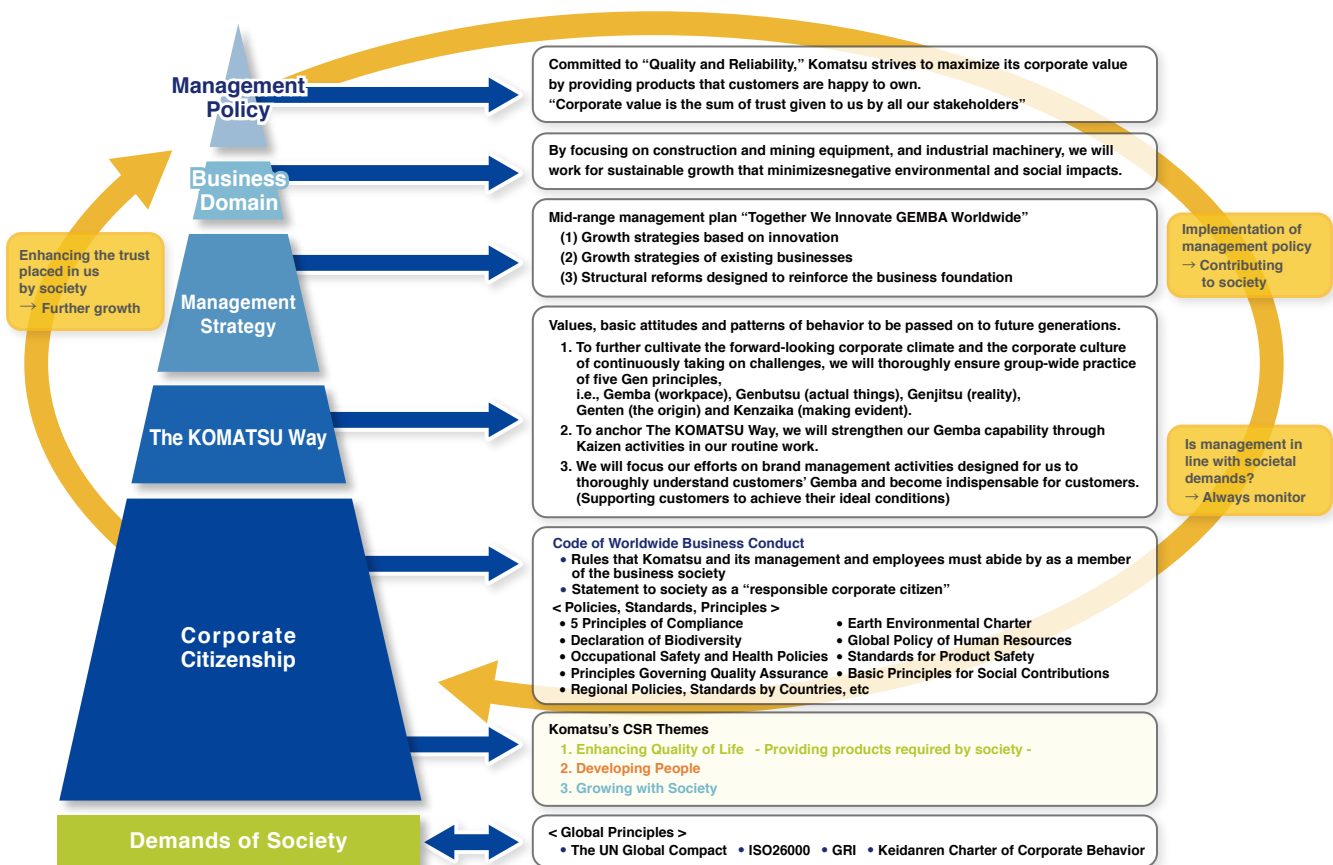


Our Approach to CSR



Incorporating CSR Into Management

Through dialogue with stakeholders both inside and outside the company, we will focus on our CSR themes and further develop these themes and key activities. In this way we hope to enhance the trust placed in us by society as we pursue sustainable growth.



Our Approach to CSR












Komatsu's CSR Themes, Key Activities and Examples of Concrete Initiatives

Examples of Komatsu's CSR themes and key activities and concrete examples of initiatives are summarized below.

Activities, policies, etc. not included in the table below are introduced on the Komatsu CSR website.

CSR Themes and Key Business Activities	Examples of Concrete Initiatives	Reference
1. Enhancing Quality of Life -Providing products required by society-		
<ul style="list-style-type: none"> ● Providing products and services that contribute to infrastructure development and improve quality of life ● Improving productivity, safety, and efficiency and enhancing energy conservation through the use of ICT ● Improving environmental efficiency at operation sites and plants 	<ul style="list-style-type: none"> ■ Construction Equipment of the next-generation utilizing ICT 	<ul style="list-style-type: none"> ▢ KOMATSU REPORT
	<ul style="list-style-type: none"> ■ Biodiesel Fuel (BDF) Project 	<ul style="list-style-type: none"> ▢ Environmental Report
	<ul style="list-style-type: none"> ■ Introducing environmentally-friendly products and services to the market · Line up of Tier4 machinery · New hydraulic drive forklift 'FH Series' · Developing the latest engine technology · Fiber laser cutting machine and miniature servo press 	<ul style="list-style-type: none"> ▢ Environmental Report ▢ Environmental Report ▢ Environmental Report ▢ Environmental Report
	<ul style="list-style-type: none"> ■ Reducing the CO₂ emissions and effective utilization of resources in business units · Energy saving project (Realizing lower energy requirements, revamping production and alternative energy sources) · Expanding Komatsu's energy-saving activities to suppliers · 'Zero emissions' activities · Saving water resources 	<ul style="list-style-type: none"> ▢ Environmental Report ▢ Environmental Report ▢ Environmental Report ▢ Environmental Report
	<ul style="list-style-type: none"> ■ Taking measures to maintain biodiversity at business units and facilities 	<ul style="list-style-type: none"> ▢ Environmental Report

<ul style="list-style-type: none"> ● Reducing environmental impact throughout the product life cycle 	<ul style="list-style-type: none"> ■ Reducing CO₂ emissions in logistics <ul style="list-style-type: none"> · Improving load efficiency and utilizing nearby ports for transport 	<ul style="list-style-type: none"> ▢ Environmental Report 
	<ul style="list-style-type: none"> ■ Promoting the "Reman" business <ul style="list-style-type: none"> · Remanufacturing used components such as engines, and placing them back on the market 	<ul style="list-style-type: none"> ▢ Environmental Report 
	<ul style="list-style-type: none"> ■ Raising the recyclability of construction equipment <ul style="list-style-type: none"> · Adopted chlorine-free hydraulic hoses (Established recycle route for disposing hydraulic hoses) · Achieved 99% reduction with Tier4 compliant vehicles 	<ul style="list-style-type: none"> ▢ Environmental Report 
<ul style="list-style-type: none"> ● Enhancing safety for customers, society, employees, and business partners 	<ul style="list-style-type: none"> ■ Increasing the safety of products, services, and workplace <ul style="list-style-type: none"> · Enhancing Quality and Reliability · Holding training sessions for customers · Pursuing initiatives that deal with occupational health and safety at the workplace 	<ul style="list-style-type: none"> ▢ Komatsu CSR website  ▢ KOMATSU REPORT ▢ Komatsu CSR website 

2.Developing People		
<ul style="list-style-type: none"> ● Contributing to human resource development in local communities 	<ul style="list-style-type: none"> ■ Developing human resources related to acquiring skills for servicing construction equipment <ul style="list-style-type: none"> · Developing human resources in Africa, China and Myanmar ■ Cultivating the Next Generation <ul style="list-style-type: none"> · Social Contribution Efforts in Germany, Japan and Sweden 	<ul style="list-style-type: none"> ▢ KOMATSU REPORT
<ul style="list-style-type: none"> ● Enhancing our employees and suppliers through The KOMATSU Way 	<ul style="list-style-type: none"> ■ The KOMATSU Way and human resource development 	<ul style="list-style-type: none"> ▢ KOMATSU REPORT
<ul style="list-style-type: none"> ● Enhancing our employees and distributors through "Brand Management" 	<ul style="list-style-type: none"> ■ Brand Management initiatives 	<ul style="list-style-type: none"> ▢ Komatsu CSR website 
3.Growing with Society		
<ul style="list-style-type: none"> ● Engaging in dialogues with our stakeholders 	<ul style="list-style-type: none"> ■ Communicating with stakeholders <ul style="list-style-type: none"> · Dialogue with stakeholders · Communicating with shareholders, local society and employees. · Communicating with business partners in the supply chain 	<ul style="list-style-type: none"> ▢ KOMATSU REPORT ▢ Komatsu CSR website  ▢ KOMATSU REPORT
<ul style="list-style-type: none"> ● Providing social contributions through the use of our core technologies and resources 	<ul style="list-style-type: none"> ■ Disaster relief reconstruction after the Tohoku earthquake and tsunami 	<ul style="list-style-type: none"> ▢ KOMATSU REPORT
	<ul style="list-style-type: none"> ■ Project for Creating Safe Villages 	<ul style="list-style-type: none"> ▢ KOMATSU REPORT
<ul style="list-style-type: none"> ● Contributing to local communities where we do business 	<ul style="list-style-type: none"> ■ Global social contribution programs tailored to the needs of each region <ul style="list-style-type: none"> · Cultivating the Next Generation in Germany, Japan and Sweden · Supporting the Flower Association of Japan and Promoting Sports 	<ul style="list-style-type: none"> ▢ KOMATSU REPORT ▢ Komatsu CSR website 
<ul style="list-style-type: none"> ● Strengthening corporate governance and compliance 	<ul style="list-style-type: none"> ■ Ensuring compliance by top management and all employees <ul style="list-style-type: none"> · Corporate Governance · Promoting Compliance 	<ul style="list-style-type: none"> ▢ KOMATSU REPORT ▢ KOMATSU REPORT
<ul style="list-style-type: none"> ● Promoting compliance with environmental, labor, and social norms within our group and among business partners 	<ul style="list-style-type: none"> ■ Initiatives that address CSR Procurement <ul style="list-style-type: none"> · Establishing CSR procurement guidelines and bringing awareness to business partners · Pursuing environmental initiatives jointly with business partners 	<ul style="list-style-type: none"> ▢ KOMATSU REPORT ▢ Environmental Report 

Our Approach to CSR



Comparative Tables with Global Principles

We believe that a corporation must continuously check whether its business activities are aligned with the demands of society.

We bolster our CSR review cycle by adhering to regional, national, and international guidelines and principles, such as those provided by the UN Global Compact and the International Organization for Standardization (ISO).

- [Relationship of Komatsu's CSR activities with the Principles of the Global Compact](#)
- [Relationship of Komatsu's CSR Priorities with ISO26000](#)

Relationship of Komatsu's CSR activities with the Principles of the Global Compact

Recognizing our responsibility as a company with business involving around the world, Komatsu is a signatory to the UN Global Compact.

We and our business partners will act through our supply chain in consideration of this voluntary code of conduct.

Each principle of GC is cross-referenced to Komatsu's internal guidelines as following table.



- [KOMATSU'S WORLDWIDE CODE OF BUSINESS CONDUCT](#)
- [Komatsu Group CSR Procurement Guidelines](#)

The UN Global Compact is a voluntary code of conduct in the four areas of human rights, labor, environment, and anti-corruption promoted by the United Nations for adoption by companies. Webpage of The UN Global Compact (<http://www.unglobalcompact.org/>)

■ Human Rights

The United Nations Global Compact		Komatsu's Activities	
The Ten Principles		Internal Guidelines	Practical Actions
Principle One	Businesses should support and respect the protection of internationally proclaimed human rights; and	<p>■ Global Policy on Human Resources Management (Komatsu's Worldwide Code of Business Conduct 5(A))</p> <ul style="list-style-type: none"> • Respect each employee's fundamental human rights • Achieve a balance between work and personal life <p>■ What we would like to ask our business partners in the supply chain (Komatsu Group CSR Procurement Guidelines (5))</p> <ul style="list-style-type: none"> • Respect human rights 	<ul style="list-style-type: none"> ▣ Creating the Right Working Conditions for Everyone ▣ CSR Procurement
Principle Two	make sure they are not complicit in human rights abuses.		

■ Labour

The United Nations Global Compact		Komatsu's Activities	
The Ten Principles		Internal Guidelines	Practical Actions
Principle Three	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<p>■ Global Global Policy on Human Resources Management (Komatsu's Worldwide Code of Business Conduct 5(A))</p> <ul style="list-style-type: none"> • Conversations or discussions with employees or their representatives • Shall not tolerate child labor or forced labor • Promote equal opportunities for employment and eliminate discrimination/harassment in the workplace <p>■ Occupational Safety and Health Policies (Komatsu's Worldwide Code of Business Conduct 5(B))</p> <ul style="list-style-type: none"> • Realize a safe and comfortable work environment <p>■ What we would like to ask our business partners in the supply chain (Komatsu Group CSR Procurement Guidelines (5))</p> <ul style="list-style-type: none"> • Never get involved in any child or forced labor • Create a work environment where there is no discrimination or harassment • Build up an occupational safety and health operational structure • Establish a fair and just personnel system 	<ul style="list-style-type: none"> ▣ Human Resources Management System ↗ ▣ Further Enhancing Diversity in the Workplace ↗ ▣ CSR Procurement ▣ Initiatives to Ensure the Health and Safety of Employees ▣ Overview of Health and Safety System ↗
Principle Four	the elimination of all forms of forced and compulsory labour;		
Principle Five	the effective abolition of child labour; and		
Principle Six	eliminate discrimination in respect of employment and occupation.		

■ Environment

The United Nations Global Compact		Komatsu's Activities	
The Ten Principles		Internal Guidelines	Practical Actions
Principle Seven	Business should support a precautionary approach to environmental challenges;	<ul style="list-style-type: none"> ■ Management Principles (Komatsu's Worldwide Code of Business Conduct 1) <ul style="list-style-type: none"> • Provide products, services and systems that are environment-friendly, safe and innovative ■ Environment Protection (Komatsu's Worldwide Code of Business Conduct 6) ■ Komatsu Earth Environmental Charter <ul style="list-style-type: none"> • Climate Change • Establishment of a Sound Material-Cycle Society • Conservation of Air, Water and Other Environments as well as Management of Chemical Substances • Biodiversity • Framework of Global, Group-wide Environmental Management System • Environmental Education and Communication ■ Declaration of Biodiversity by Komatsu ■ What we would like to ask our business partners in the supply chain (Komatsu Group CSR Procurement Guidelines (4)) <ul style="list-style-type: none"> • Reduce environmental impact, manage chemical substances and build up environmental management systems 	<ul style="list-style-type: none"> ▣ Environmental Activities Policy (Interview with the president) ▣ Komatsu's Relationship with the Environment ↗ ▣ Komatsu Earth Environment Charter ↗ ▣ Relationship between Business Activities and the Environment ↗ ▣ Organizational Chart of the Environmental Management Structure ↗ <p>* Please refer to the "Environmental Report ↗" for concrete efforts.</p>
Principle Eight	undertake initiatives to promote greater environmental responsibility; and		
Principle Nine	encourage the development and diffusion of environmentally friendly technologies.		

■ Anti-Corruption

The United Nations Global Compact		Komatsu's Activities	
The Ten Principles		Internal Guidelines	Practical Actions
Principle Ten	Businesses should work against corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none"> ■ Free and Fair Trade (Komatsu's Worldwide Code of Business Conduct 4) <ul style="list-style-type: none"> • Fair Competition • Refrain from following the custom when there is conflict • Appropriate Sociality • Fair and proper relationship with governmental agencies ■ What we would like to ask our business partners in the supply chain (Komatsu Group CSR Procurement Guidelines (6)) <ul style="list-style-type: none"> • Engage in free and fair competition and business transactions • Never accept inappropriate cash, gifts or other favors 	<ul style="list-style-type: none"> ▣ Promoting Compliance ▣ CSR Procurement

Relationship of Komatsu's CSR Priorities with ISO26000

Komatsu undertook a materiality assessment with the support of Business for Social Responsibility (BSR), a nonprofit organization.

We identified a set of CSR issues and prioritize these CSR issues by their relevance to our business and their importance to our stakeholders.

Komatsu's CSR priorities are cross-referenced to ISO26000 core subjects/issues as following table.

■ Organizational Governance

ISO26000	Komatsu's Activities	
Issues	CSR Priorities	Practical Actions
Organizational Governance	<ul style="list-style-type: none"> • Cooperation with stakeholders • Corporate Governance • Compliance • Compliance with spcoal norms including business partners 	<ul style="list-style-type: none"> ▣ Message from Top Management ▣ The Basic Stance of Management ↗ ▣ Our Approach to CSR ▣ Corporate Governance ↗ ▣ Compliance ▣ Risk Management ▣ CSR Procurement ▣ Dialogue with Stakeholders

■ Human Rights

ISO26000	Komatsu's Activities	
Issues	CSR Priorities	Practical Actions
<ol style="list-style-type: none"> 1. Due diligence 2. Human rights risk situations 3. Avoidance of complicity 4. Resolving grievances 5. Discrimination and vulnerable groups 6. Civil and political rights 7. Economic, social and cultural rights 8. Fundamental principles and rights at work 	<ul style="list-style-type: none"> • Respecting human rights • Compliance with spcoal norms including business partners • Development of local communities • Disaster relief • Improving local residents' quality of life 	<ul style="list-style-type: none"> ▣ Creating the Right Working Conditions for Everyone ▣ CSR Procurement ▣ Disaster Relief -The Tohoku Earthquake- ▣ Project for Creating Safe Villages

■ Labour Practices

ISO26000	Komatsu's Activities	
Issues	CSR Priorities	Practical Actions
<ol style="list-style-type: none"> 1. Employment and employment relationships 2. Conditions of work and social protection 3. Social dialogue 4. Health and safety at work 5. Human development and training in the workplace 	<ul style="list-style-type: none"> • Equal employment • Safety and health • Human resource development • Compliance with spcoal norms including business partners 	<ul style="list-style-type: none"> ▣ Human Resources Management System ↗ ▣ Further Enhancing Diversity in the Workplace ↗ ▣ Improvement the working environment ▣ Enhanced Safety ▣ Enhanced Safety in Workplace ↗ ▣ The Komatsu Way and Human Resources Denelopment ▣ CSR Procurement

■ The Environment

ISO26000	Komatsu's Activities	
Issues	CSR Priorities	Practical Actions
<ol style="list-style-type: none"> 1. Prevention of pollution 2. Sustainable resource use 3. Climate change mitigation and adaptation 4. Protection of the environment, biodiversity and restoration of natural habitats 	<ul style="list-style-type: none"> • Environmental-friendly products • Environmental efficiency (facilities, such as plants, and operation sites) • Remanufacturing 	<ul style="list-style-type: none"> ▣ Environmental Activities Policy (Interview with the president) ▣ Komatsu's Relationship with the Environment ↗ ▣ Komatsu Earth Environment Charter ↗ ▣ Relationship between Business Activities and the Environment ↗ ▣ Organizational Chart of the Environmental Management Structure ↗ <p>* Please refer to the "Environmental Report ↗" for concrete efforts.</p>



■ Fair Operating Practices

ISO26000	Komatsu's Activities	
Issues	CSR Priorities	Practical Actions
<ol style="list-style-type: none"> 1. Anti-corruption 2. Responsible political involvement 3. Fair competition 4. Promoting social responsibility in the value chain 5. Respect for property rights 	<ul style="list-style-type: none"> • Corporate governance • Compliance • Compliance with spcoal norms including business partners 	<ul style="list-style-type: none"> ▣ Corporate Governance ▣ Compliance ▣ Komatsu's Code of Worldwide Business Conduct ▣ CSR Procurement

■ Consumer Issues

ISO26000	Komatsu's Activities	
Issues	CSR Priorities	Practical Actions
<ol style="list-style-type: none"> 1. Fair marketing, factual and unbiased information and fair contractual practices 2. Protecting consumers' health and safety 3. Sustainable consumption 4. Consumer service, support, and complaint and dispute resolution 5. Consumer data protection and privacy 6. Access to essential services 7. Education and awareness 	<ul style="list-style-type: none"> • Products that enhance safety • Responsible marketing and customer care • Environmental-friendly products • Remanufacturing 	<ul style="list-style-type: none"> ▣ Enhanced Safety ▣ Quality and Reliability ▣ Growth Strategies Based on Innovation ▣ Reman Business/Improving Recyclability Rate <p>Please refer to the Environmental Report for environmental efforts.</p>

■ Community Involvement and Development

ISO26000	Komatsu's Activities	
Issues	CSR Priorities	Practical Actions
<ul style="list-style-type: none"> 1. Community involvement 2. Education and culture 3. Employment creation and skills development 4. Technology development and access 5. Wealth and income creation 6. Health 7. Social investment 	<ul style="list-style-type: none"> • Development of local communities • Disaster relief • Improving local residents' quality of life • Human resources development 	<ul style="list-style-type: none"> ▣ CSR Activities through Our Core Business (Interview with the President) ▣ Dialogue with Stakeholders ▣ Communication with Stakeholders  ▣ CSR Procurement ▣ Disaster Relief -The Tohoku Earthquake-  Rehabilitation program and employment opportunities for young Chileans ▣ Project for Creating Safe Villages ▣ Accelerating the Pace of Global Human Resource Development

Our Approach to CSR



Environmental and Social Activities to Date

■ Overview of Komatsu's Environmental and Social Activities to Date

1962	Began continuous support for the Flower Association of Japan since its founding
	Earth Environment Committee established
1991	Company name changed in Japanese public relations to "Komatsu," with new corporate brand logotype
1992	Komatsu Earth Environment Charter and Environmental Action Plan formulated
	First Environmental Report published
1994	Board of Corporate Auditors established
1995	Komatsu establishes the International Advisory Board (IAB).
1997	Oyama Plant becomes first in Japanese construction equipment industry to acquire ISO14001 certification
	Ethics Committee established (Renamed as Compliance Committee later)
1998	First edition of Komatsu's Code of Worldwide Business Conduct published
	Executive Officer system established; Board of Directors reorganized (Outside directors system introduced).
1999	Compensation Council established
	First Global Environmental Affairs Meeting convened
2000	Environmental Report again published; published annually thereafter
2001	Compliance Department established
2002	All seven Komatsu Group manufacturing facilities in Japan acquire ISO14001 certification
2003	Environmental Affairs Department established
2004	Corporate Social Responsibility Department established

2005	First European Health, Safety, and Environment Meeting convened
2006	All Komatsu Group manufacturing facilities in Japan attain "zero emissions"
	The KOMATSU Way explicitly defined and promotion activities launched
2007	Seventh edition of Komatsu's Code of Worldwide Business Conduct published
2008	Agreement concluded with Japanese NPO Japan Mine Action Service (JMAS)
	The Komatsu Group in Japan acquire ISO14001 integrated certification
	Development of PC200-8 hybrid hydraulic excavator announced
2009	Signed the United Nations Global Compact
	Started Angola local reconstruction project with JMAS
	PBZ and PAS series of press brakes acquire MF eco machine* certification
2010	Basic agreement reached between Komatsu, Adaro and UT on the biodiesel project in Indonesia <small>*The MF Eco machine Certification System is an eco-label established by the Japan Forming Machinery Association.</small>
	New medium and long-term targets are set to reduce CO ₂ emissions from manufacturing facilities
2011	Komatsu Earth Environment Charter is revised
	Vehicle equipped with a new type of engine that meets Tier4 emission standards for Japan, the U.S.A. and Europe is introduced in the North American Market
	Komatsu's "Declaration of Biodiversity" is established
2012	Komatsu establishes "the Komatsu Scholarship" to the students who have suffered financially from the Great East Japan Earthquake and tsunami.
	Local reconstruction project in Cambodia is completed with JMAS
	CSR themes are defined.
	"Komatsu Green Park" opens in Komatsu City, the company's birthplace
	Eighth edition of Komatsu's Worldwide Code of Business Conduct published
2013	Held the opening ceremony of the pilot plant for the Biodiesel Fuel Project to be implemented by Komatsu, Adaro, and UT
	Komatsu's "CSR Procurement Guideline" is established
2014	Established the "Komatsu Kids Oyama" nursery center in the Oyama Plant
	The number of visitors to "Komatsu-no-Mori" exceeds hundred thousand.
2015	Hybrid AC Servo press [H1F Series] acquired MF eco machine certification

Our Approach to CSR



Recent External Commendations and Evaluations

Recent External Commendations and Evaluations on Komatsu's Environmental Conservation and Social Activities

-
- 2013 January**
- Komatsu is ranked 19th among 438 companies in the 16th Corporate Environmental Management Ranking by Nikkei Inc.
-
- March**
- Komatsu is ranked 21st among 1,116 companies in the CSR Corporate Ranking by Toyo Keizai Shinbun, Inc
 - Komatsu is ranked 5th among 616 companies in the Corporate Integrity and Transparency Assessment by Integrex Inc
-
- 2012 January**
- Komatsu is ranked 38th among 449 companies in the 15th Corporate Environmental Management Ranking by Nikkei Inc.
-
- March**
- Komatsu's "CSR & Environmental Report 2011" receives the award of excellence at the 15th Green Reporting Awards, organized by the Green Reporting Forum and Toyo Keizai Shinbun, Inc.
 - Komatsu is ranked 19th among 1,117 companies in the CSR Corporate Ranking by Toyo Keizai Shinbun, Inc.
 - Komatsu is ranked 4th among 611 companies in the Corporate Integrity and Transparency Assessment by Integrex Inc.
-
- August**
- Komatsu Asia & Pacific Pte Ltd. (KAP) is the Merit Winner of the Singapore Environment Achievement Award (Manufacturing)
-
- September**
- Komatsu is recognized by the Tokyo Stock Exchange as a Company Appropriately Responding to "ESG" issues"
-
- December**
- Komatsu is ranked 3th among 1,020 companies according to the "NICES" company-rating system by Nikkei Inc

-
- 2011 January**
- Ranked 16th among 253 companies in Japan in Nikkan Kogyo Shimbun Ltd.'s Seventh Annual Corporate Performance Rankings
-
- Ranked 29th among 475 companies in the 14th Corporate Environmental Management Ranking by Nihon Keizai Shimbun, Inc.
-
- February**
- Awarded first prize for the 2011 Integrity Award from the Internal Control Council of Japan (ACFE)
-
- April**
- Komatsu Hybrid System for construction equipment receives the 2010 JSME Medal for New Technology from the Japan Society of Mechanical Engineers (JSME)
-
- July**
- Komatsu's mobile recycler is nominated as an example of the 2011 Recommended Technology at the New Technology Utilization System Review Conference organized by the Ministry of Land, Infrastructure and Transport
-
- August**
- Komatsu CSR is awarded the Bronze Class by SAM Corporation, Switzerland's SRI assessment company
-
- November**
- Komatsu is ranked 7th among 1,005 companies according to the "NICES" company-rating system by Nikkei Inc.
-
- 2010 May**
- Received the 2010 Chairman's Award from the Japan Construction Mechanization Association for developing the PC200-8E0 Hybrid Hydraulic Excavator
-
- October**
- Ranked 18th among 1,900 companies in Japan in the Nippon Foundation's Annual Corporate Performance Rankings
-
- December**
- Awarded the Good Enterprise Grand Prix from the Japan Investor Relations Association (JIRA)
 - The Oyama Plant received the "Environment Minister's Commendation" for its activities for mitigating global warming
 - Komatsu ranked 8th according to the "NICES" company rating system by Nihon Keizai Shimbun, Inc.
-

-
- 2009 January** • Ranked 17th among 100 companies in Japan in Nikkan Kogyo Shimbun Ltd.'s Fifth Annual Corporate Performance Rankings
-
- February** • Sadao Nozawa, Manager of the Environment and Energy Conservation Group in the General Affairs Department at the Oyama Plant in Japan, recognized with the Agency for Natural Resources and Energy Director-General's Award in the FY2008 Month of Energy Conservation organized by the Ministry of Economy, Trade and Industry (METI) of Japan
-
- PC200-8 hybrid hydraulic excavator given the Nikkei Business Daily Award for Excellence in the 2008 Nikkei Superior Products and Services Awards sponsored by Nikkei Inc.
-
- March** • Received the Seventh Annual Award for Broadening of Individual Shareholder Base in Tokyo Stock Exchange, Inc.'s 2008 TSE Awards for Listed Companies
-
- October** • Ranked 17th among 1900 companies in The Nippon Foundation's "The admired Japanese 100 companies of Japan"
-
- 2008 February** • Received the Minister of Economy, Trade and Industry Award in The Japan Machinery Federation's FY2007 (28th Award) for Energy-Conserving Machinery for its hybrid electric forklift trucks
-
- March** • Ranked 1st two years in a row in the Nihon Keizai Shimbun newspaper's Nikkei PRISM (Private Sector Multi Evaluation System) evaluation of top companies in Japan
-
- May** • Hensley Industries, Inc. recognized as Bronze Level member of Clean Texas program in the U.S. (ranking below two Platinum Level and one Gold Level members)

June

- Received award from Minister of the Environment of Japan for being a Contributor to Local Environmental Conservation
- Honored with an 85th Robotics and Mechatronics Division Award from The Japan Society of Mechanical Engineers Received the Robotics and Mechatronics Technological Achievement Award for the Komatsu Tracking System for construction equipment (KOMTRAX), IT-assisted construction system utilizing high-precision GPS, autonomous haulage system (AHS), and other technological advancements in the field
- PC26MR-3 mini hydraulic excavator named Product of the Year in the European Rental Association (ERA)'s European Rental Awards 2008 appearing in the magazine International Rental News
- Shinichi Kobayashi, Environmental Manager in the General Affairs Department at the Oyama Plant in Japan, recognized an award from the Minister of the Environment of Japan in the Ministry of the Environment of Japan's recognition of Contributors to Environmental Conservation, etc. in FY2008

July

- D51 medium-sized bulldozer recognized as Silver Winner in the Industrial Design Excellence Awards (IDEA) co-organized by the Industrial Designers Society of America (IDSA) and Business Week magazine

September

- Ranked 44th among 422 companies in Japan in Nihon Keizai Shimbun newspaper's 2008 Most Pleasant Companies to Work For

November

- Chairman of the Board Masahiro Sakane awarded the Deming Prize for Individuals by the Union of Japanese Scientists and Engineers (JUSE)

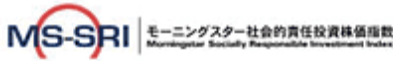
December

- Ranked 47th among 1,796 manufacturers in Japan in Nihon Keizai Shimbun newspaper's 12th Nikkei Environmental Management Ratings
- Komatsu Head Office's cafeteria awarded the Judging Committee's Special Prize (School and Company Cafeteria Category) in the Local Production for Local Consumption Menu Contest sponsored by the Ministry of Agriculture, Forestry and Fisheries of Japan

Commendations from Socially Responsible Investing (SRI) Assessment Bodies (Globally)



Selected for inclusion in the Dow Jones Sustainability Indexes (DJSI), SRI share price indexes developed by Dow Jones Indexes (U.S.) and SAM Group (Switzerland)



Selected for inclusion in the listing of SRI issues developed by Morningstar (Japan)



Rated as "Prime" among 35 machinery companies in 2012 social responsibility ratings by Oekom, a Germany-based independent CSR assessment company.



We support THE GLOBAL COMPACT

Enhancing Quality of Life

Independent Review ■ CSR Themes ①



Mitigating Climate Change

Komatsu's Relationship with the Environment

Komatsu promotes environmentally-friendly activities throughout the entire Group to realize its vision of "What Komatsu Can Do and What It Must Do" for the environment and sustainable development.

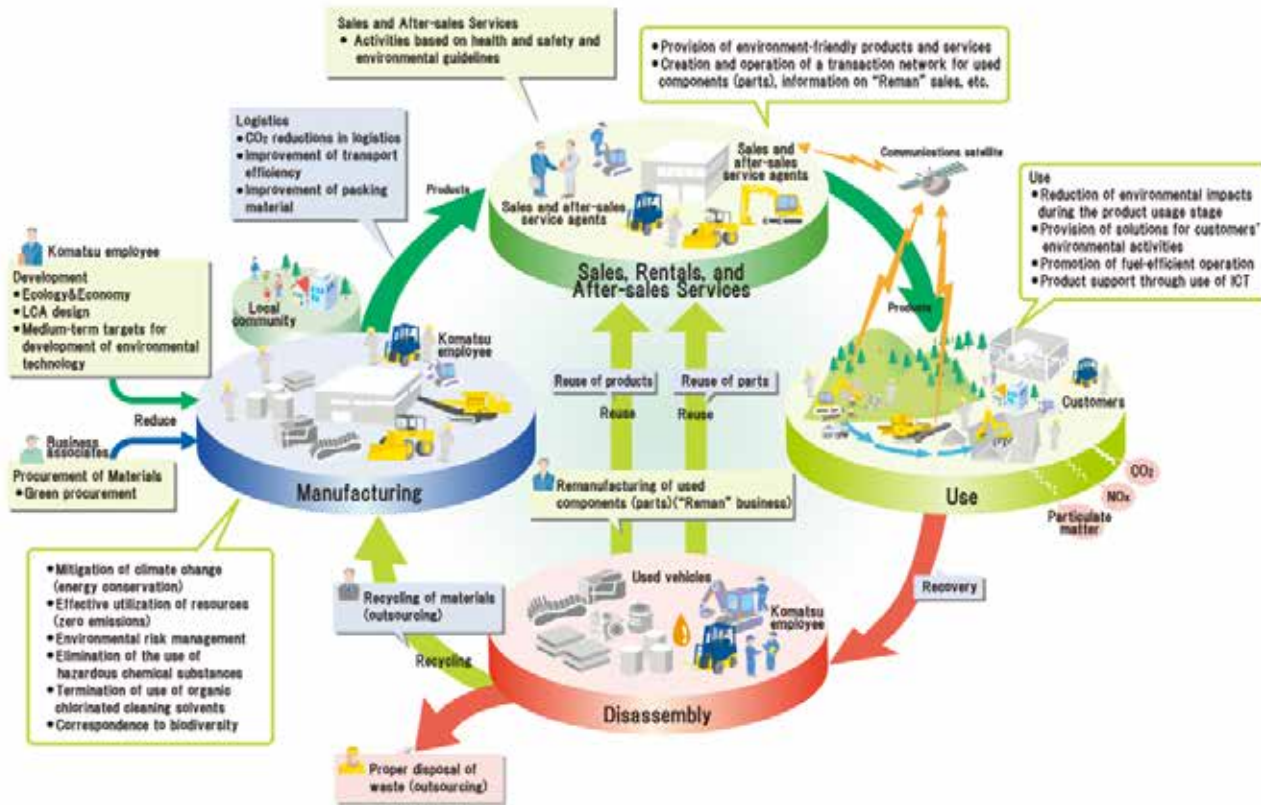
In recognition of the fact that our business activities affect the environment on a regional and global level, we, at Komatsu, have placed the focus on the following four key areas:

- 1)Climate Change
- 2)Establishment of a Sound Material-Cycle Society
- 3)Conservation of Air, Water and Other Natural Resources as well as Management of Chemical Substances
- 4)Biodiversity

In line with the Komatsu Earth Environment Charter revised in 2010, the Komatsu Group embarks on global initiatives across business areas guided by the fundamental principles of

- (1)Contributions to Realization of Sustainable Society,
- (2)Simultaneous Realization of Environmental and Economic Performance, and
- (3)Observance of Corporate Social Responsibility.

Relationship of the Komatsu Group's Business Activities with the Environment



You can see expanding figure by clicking figure above.

Enhancing Quality of Life

Independent Review ■ CSR Themes ①



Pursuing Environmental Management

Komatsu Earth Environment Charter (June 2010 revision)

Corporate Principles

1. Contributions to Realization of Sustainable Society

Mankind must not only promote the further growth of a rich and comfortable society but also pass down this indispensable environment of our planet earth to future generations in a sound and healthy condition. We, at the Komatsu Group, define environmental conservation efforts as one of the highest priority management tasks, and endeavor to contribute to the sustainable growth of society by integrating advanced technologies into environmental conservation efforts in all our business activities. This is represented by our hybrid construction equipment which features a substantial reduction of CO₂ emissions while in operation and by our superior manufacturing.

2. Simultaneous Realization of Environmental and Economic Performance

We are committed to improving both environmental performance and economic efficiency, as a group of companies working toward superior manufacturing for customer satisfaction. To this end, we constantly take up the challenge of advancing technologies to develop creative products that improve both environmental performance throughout the product's life cycle and the product's economic performance at the same time.

3. Observance of Corporate Social Responsibility

Each company of the Komatsu Group promotes environmental conservation by not only complying with the applicable laws and regulations of the concerned host community, region and country but also by establishing its voluntary standards which consider global and local environmental concerns. Each company of the Group also strives to fulfill its corporate social responsibility by actively participating in local environmental conservation programs and thereby promoting close-knit communication with local communities, while striving to become a company trusted by all Komatsu stakeholders.

Guidelines for Corporate Activity

1. Basic Stances on Earth Environmental Problems

We, at the Komatsu Group, work for sustainable society and earth environment through our global business operations by addressing the following four environmental problems with the stances discussed below.

1)Climate Change

We will reduce the use of energy and emissions of greenhouse gas in all phases of our business activities ranging from research and development, procurement, production and logistics to sales and service as well as in the total life cycle of our products and services.

2)Establishment of a Sound Material-Cycle Society

Through our business processes, we work to minimize the use of natural resources, such as materials and water, promote their re-use or recycle them as much as possible, and expand Zero Emissions from our manufacturing activities around the world. At the same time we ensure the thorough management of waste materials in all our business domains, including our suppliers and distributors.

We also continuously work to increase the recyclability rate of products at the time of disposal.

3)Conservation of Air, Water and Other Environments as well as Management of Chemical Substances

We comply with not only local laws and regulations but also with our established standards concerning the conservation of water quality, prevention of air pollution, noise and vibrations.

As much as possible, we also ensure the thorough management of chemical substances for use in our business activities, while continuously reducing the use of potentially harmful chemical substances or replacing them with alternative substances for discontinuation of their use.

4)Biodiversity

We recognize biodiversity as one of the important issues concerning the earth environment, evaluate, understand and analyze impact on it in all our business domains, and work on our tasks according to the criteria of the highest impact and/or the most effective actions.

2. Framework of Global, Group-wide Environmental Management System

The Komatsu Head Office, as well as the manufacturing facilities and main companies of the Komatsu Group, already with ISO certifications, will work to maintain and improve their environmental management system, while other manufacturing facilities and suppliers will also work to establish their environmental management systems and reduce their environmental impact.

The Komatsu Environmental Committee develops environmental action plans and common guidelines for the Komatsu Group. Based on these Group-wide plans and guidelines, each division or company sets up its own mid- to long-term targets, develops and implements specific action plans, reviews them regularly and works to continuously improve them.

3. Environmental Education and Communication

We believe that it is important to enhance the environmental awareness of each and every employee and thereby actively promote environmental awareness and education programs for all employees.

We will gather environment-related information concerning not only our manufacturing facilities but also other related entities, such as major affiliated companies and suppliers, and strive to disclose such information, thereby facilitating proactive communication with all our stakeholders, such as customers, employees, local communities and suppliers and further expanding the content of environmental communication.



Mitigating Climate Change Halving Electricity Usage Project

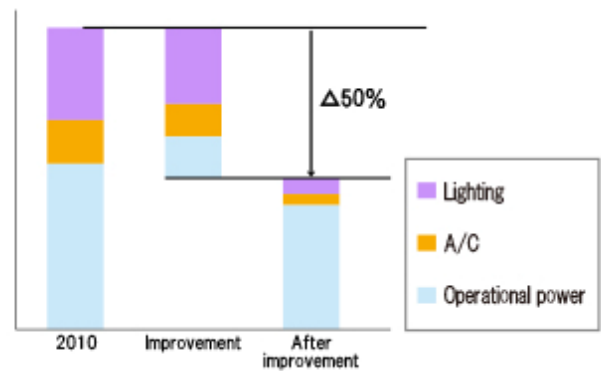
Power-Saving Activities

KOMATSU has continuously pursued both productivity improvements and energy-saving activities.

After experiencing power shortages in the service areas of Tokyo Electric

Power Co., Inc. and Tohoku Electric Power Co., Inc. during the summer of 2011, it was anticipated that power shortages would occur during the summer of 2012, including the service area of Kansai Electric

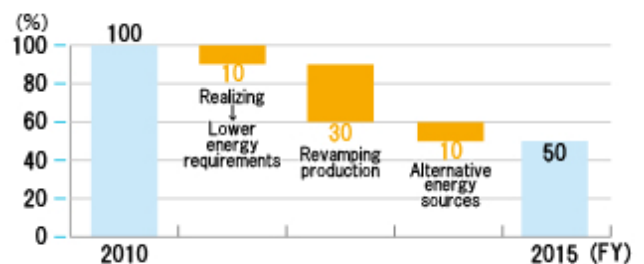
Power Co., Inc. In response, KOMATSU implemented large-scale reductions in power consumption. Our goal was to cut summertime peak power needs by 25% in 2012 and by 50% in 2014, compared to consumption levels in 2010. We plan to limit consumption to reduce the environmental impact from CO₂



Approach to Power-Saving

The fundamental methods for power reduction that we will use are:

- (1) Control use of electricity to eliminate waste by realizing lower energy requirements
- (2) Revamping production
- (3) Use alternative energy sources



(1) Reducing waste by realizing lower energy requirements

We are constructing a system that automatically tracks the amount of power consumption per hour by all domestic plants, then sends this information to the head office, to be made available for company-wide viewing. You can check the amount of power usage in real time from any computer in the company.

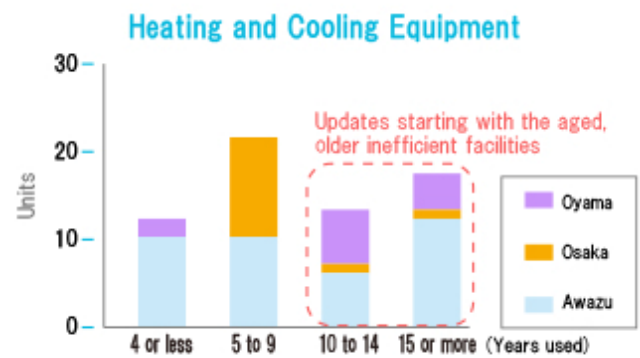
At the same time, in each factory we are working on making it possible to see in even more detail the power usage of each building and facility.

Seeing where power usage occurs will enable us to discover where power is being wasted, which facilities have poor energy efficiency, and the correlation between power usage and production activity. This will help us move ahead with our power-saving activities more effectively.

In addition, we are promoting our activities to visitors and conducting awareness campaigns to general staff through digital signage in places like the office lobby.



●● Centralized Monitoring of Power and Facilities



●● Improving Efficiency by Updating Facilities

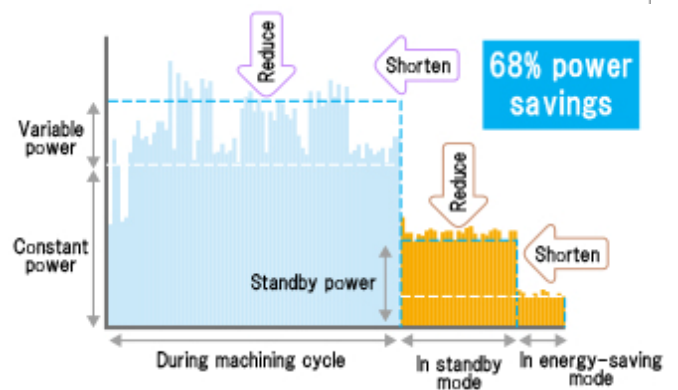
(2) Production Reform: Reduce power usage by improving processing equipment and manufacturing processes

About 60% of KOMATSU production plants' power consumption is from power used in processing parts. KOMATSU has several manufacturing processes including machine processing and welding. In each area we are working to reduce power usage by improving equipment, as well as increasing efficiency in the manufacturing process.

Power Reduction with Production Equipment

We can reduce power used during processing and idling with inverter control and fine-tuned stopping in auxiliary machinery such as pumps and motors.

We can also shorten both processing and idling times by improving processing speed and capacity utilization, machining time.

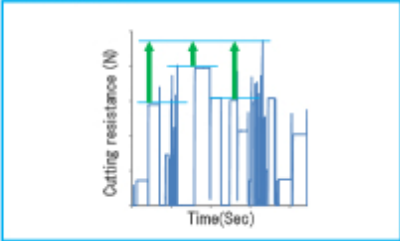


Improving the Manufacturing Process (Using CAE)

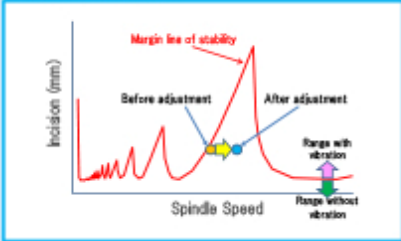
With the new production technology development, we will minimize processing range and input energy. In addition, we will reduce power consumption by accelerating the updating of facilities with high-efficiency state-of-the-art equipment.

Improving the Manufacturing Process (Using CAE)

Cutting resistance analysis:
raise conditions for tools to their maximum limit




Conduce the stability limit through vibration analysis and select the best cutting conditions

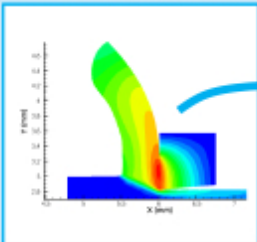


Edge temperature analysis : raise conditions for blades to their maximum limit

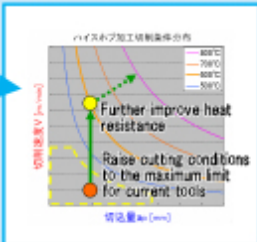
Gear cutter



Edge temperature distribution analysis result



Raise conditions of cutting



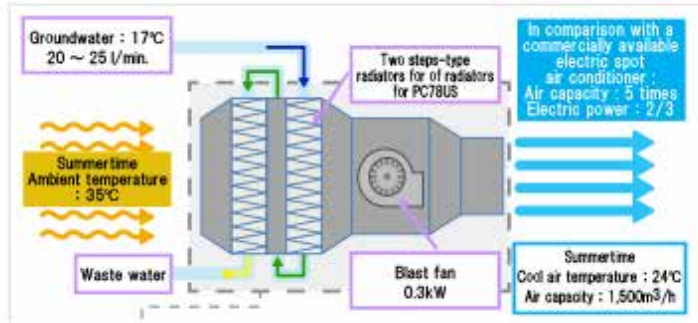
(3) Using alternative energy: Getting the most out of sunlight and groundwater

In an effective use of space, KOMATSU has installed solar panels on the rooftop of buildings to generate solar power.

We are working on finding ways of taking advantage of renewable energy, such as using the stabilized temperature of groundwater to help with air conditioning.



Awazu Development Center



Image

Simple radiator air conditioner using groundwater (Patent pending)

The spot cooler replacement, and a small type for an office space of up to 50m². We have also already made a prototype of a medium type for up to 100m², large type for up to 300m²

New energy-saving buildings: Updating the buildings using the latest energy-saving technology

While implementing power usage reduction activities company-wide, we learned that if we incorporate energy-saving technology in to the structures being rebuilt, it would be possible to reduce power consumption by about 50% in places such as office buildings and assembly plants, where the primary power consumption is due to lighting and air conditioning. Additionally, because over 60% of KOMATSU production buildings were built over 40 years ago, there have been cases where the narrow spacing between posts inhibit the construction of efficient production systems.

Therefore, we have decided take drastic measures by forging ahead with the integrated renewal of production buildings.

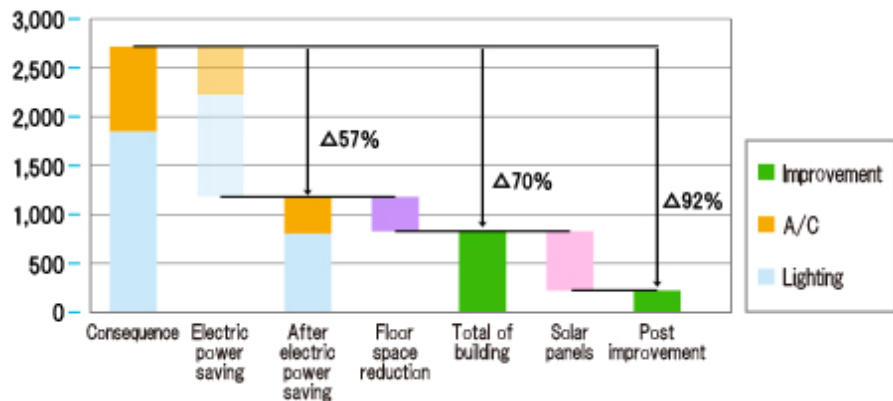
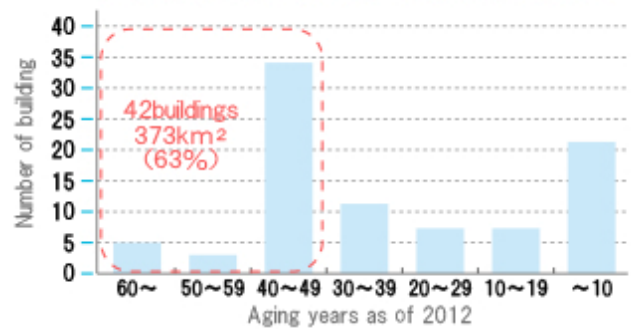
In doing this, in addition to the utilizing the latest energy-saving technologies, we are aiming for significant improvement in production efficiency by incorporating production reform (streamlining) and reduction in power consumption from decreasing overall square footage of buildings, so that with controlled amounts of investment, we can expect sufficient return on investment.

Starting with construction on the Awazu Plant in 2013, we are expecting to invest 300-400 billion yen by 2020.

Basic Ideas

- (1) Use latest energy-saving technology to achieve 50% reduction in power usage
- (2) Increase efficiency by production reform, and reduce size of facilities by -30%
- (3) Have new buildings that use natural energy (sunlight, groundwater, etc.) most effectively

Distribution of the aging of the production factory



●● New Awazu Assembly Plant

●● Reduction in power usage at the newly rebuilt structure (Awazu Plant)

Enhancing Quality of Life

Independent Review ■ CSR Themes ①



Mitigating Climate Change

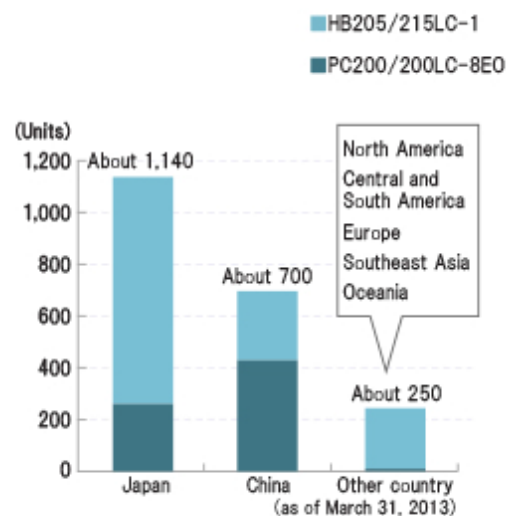
Hybrid Hydraulic Excavators Surpass 2,000 Units in Sales

In 2008 Komatsu released the PC200-8E0, the world's first mass produced hybrid hydraulic excavator. Since then, its domestic sales surpassed 1,000 units at the end of last year; and in this year, worldwide sales have finally topped 2,000 units.

In 2010 the follow up model HB205-1 was released and at the end of 2012 a minor upgrade, the HB205-1M0, was made to improve fuel efficiency for continuous improvements to relieve the environmental burden.

Following the PC200 class, this year the PC300 class will be sold.

We will continue to develop and promote environmentally friendly construction machinery including various machine series.



●● Hybrid Hydraulic Excavator HB205-1

●● Marketing Record for Hybrid Hydraulic Excavator

Enhancing Quality of Life

CSR Themes ①



Enhanced Safety

Safety is one of the most important issues at Komatsu as we expand our business. In addition to enhancing the safety of our products and services, we also emphasize safety at customer sites and the workplaces of our employees and business partners.

Enhanced Safety at Customer Sites

ICT, environment, and safety are very important considerations in Komatsu's product development. In addition to supplying products that provide superior safety performance, we also strive to prevent accidents and failures. We do this by making recommendations and holding lectures together with our distributors to ensure that the machinery at customer worksites is operated safely.

Content of Safety Workshops (based on case studies of construction equipment sales in Japan)

- Know-how in safety management and risk aversion
- Safety measures based on past experience
- Safe operation of different types of construction equipment

Initiatives for Business Partners

Please refer to "[Together with Business Partners.](#)"

Initiatives to Ensure the Health and Safety of Employees

Our company issues our president's message on occupational health and safety, and in April 2011, "Occupational Safety and Health Policies" were newly incorporated in Komatsu's Worldwide Code of Business Conduct. These policies will be promoted through joint activities by the company and its employees.

>> <http://www.komatsu.com/CompanyInfo/profile/conduct/#c05>

The Group will foster occupational safety, mainly through small "zero-accidents" activities held on a full participation basis. While continuing to upgrade safety-related education and training, the Group aims to support safety activities at Group companies around the globe. We will continue to strengthen our Group-wide health and safety system and also implement mental and physical healthcare management to promote employee health.

>> <http://www.komatsu.com/CompanyInfo/csr/2013/1-1.html>



Under the Slogan "Full Participation," 1,200 Employees Strive for Zero Accidents

Yuichi Matsumoto

General Manager, Safety & Environment, Administration Department, Komatsu Forklift Japan Ltd.



Komatsu Forklift Japan was established in October 2009 through the merger of nine Group forklift sales companies in Japan that had previously operated independently. At first, the new company experienced some tension over differing approaches and business cultures related to safety. These differences were ultimately overcome, and a company-wide system was established by 2012 to manage occupational safety and health under the following principles.

- [1] We will make safety our top priority.
- [2] We will deliver safety and security to continuously earn customer trust and loyalty.
- [3] We will fully comply with our rules.

(pertaining to required safety equipment and protective gear and full adherence to operational standards)

Within this framework, we engage in the following activities under the slogan "full participation."



●● Safety and health convention for all employees



●● Pointing and calling method for daily inspection at the start of operations



1. Occupational safety and health conventions where all employees participate

A convention is held nine times around the country so that all employees can hear about policies governing occupational safety and health activities from the president, reports on contingency planning case studies and lectures on safety and health. The objective of this convention is to raise employee awareness about occupational safety and health.



●● Cone barriers are set up to ensure safety during work at customer sites.

2. Sharing of "Hiyari-Hatto" (close call) incidents, training to anticipate potential dangers and simulations of dangerous situations

Morning safety assemblies and safety training sessions are conducted at each site under the supervision of regional safety promotion officers. The participants share local examples of "Hiyari-Hatto" incidents, are trained to anticipate potential dangers, and take part in simulations of dangerous situations aimed at preventing accidents.

3. Safety patrols to ensure thorough site improvements

The president periodically visits sites across the nation in an ongoing effort to improve safety and ensure that safety procedures and the 5Ss* are being implemented at company sites as well as during forklift maintenance at customer sites.

As a result of these activities, we were able to reduce the number of accidents in FY2012 by 35% from the previous year.

We intend to draw the full participation of all employees so that efforts are continuously made every day to deliver safety and security and thereby continue earning the trust and loyalty of our customers.

*Seiri (sorting), seiton (setting in order), seiso (systematic cleaning), seiketsu (standardizing) and shitsuke (sustaining)

Developing People

CSR Themes 2



Pursuing Community Based Human Resource Development around the World

Training Service Personnel in Regions where We are Established as a Responsible Manufacturer

"Developing People" is one of Komatsu's core CSR themes. Our initiatives in this area focus on supporting human resource development in the locations around the world where we do business. Wherever our operations take us, mechanics are required to service and maintain construction equipment in good operating condition. As the company that sells this equipment, we believe we are responsible for cultivating the human resources needed to service it. Under this principle, we have opened training centers around the world to develop servicepersons and at the same time provide opportunities for these trainees to acquire the skills they need to qualify as mechanics.



●● Support Center in Tanzania for developing distributor service personnel

Human Resource Development to Meet Regional Needs

Komatsu develops human resources in a way that best meets the specific needs of each region. In Africa, for example, where more mechanics are required due to rising demand for our products, we cultivate work-ready personnel by collaborating with sales and service distributors and by sharing our training expertise. In China, Komatsu offers a specialized course at a university in Shandong Province to train newly recruited service personnel in an effort to more quickly turn out a greater number of mechanics. And in Myanmar, we are addressing the need for teachers who can train mechanics by collaborating with a local university and setting up a course to prepare teachers to provide specialized training for construction equipment.

In addition to these efforts, Komatsu contributes to society through the use of our core technologies and resources by pursuing initiatives for empowering the younger generation which will shoulder the future of manufacturing.



●● Komatsu Training Center in Nairobi set up at a distributor's office



●● Training course in Myanmar

Cultivating the Next Generation at KOHAG Germany

Komatsu Hanomag GmbH (KOHAG) signed an agreement with four local elementary schools to promote technical education starting in December 2011. The agreement reflects national- and provincial-level initiatives to avoid a skills shortage in technological expertise and better equipping the next generation. KOHAG provided five toolkits developed by a German NGO free of charge to each school. KOHAG employees have been mentoring teachers on how students can use the toolkits in the classroom and provide follow-up assistance. The toolkits, which contain tools such as screwdrivers, parts such as bolts and electrical circuits, construction materials such as boards and wheels, and an instruction manual, enable students to learn the basics of construction, automotive engineering and electricity. After the class, children are invited to the KOHAG factory to see for themselves the principles they have learned by observing actual machines.



●● KOHAG employee providing advice to elementary school teachers



●● Children visiting KOHAG after class

Retired Employees Engage in Activities at Komatsu's Birthplace

The "Komatsu Green Park" was opened in 2011 in Komatsu City, Ishikawa Prefecture - the birthplace of Komatsu - to provide an educational environment for future generations and particularly local elementary school children. The park contributes to the sound development of the children through nature hikes in its satoyama zone and science classes. The program is unique in that it is primarily staffed by retired Komatsu employees through an incorporated NPO, with four divisions that plan and conduct the nature hikes, science classes and cleanup activities and support local events. A total of 283 former employees have registered with the NPO, and the park has received over 100,000 visitors.

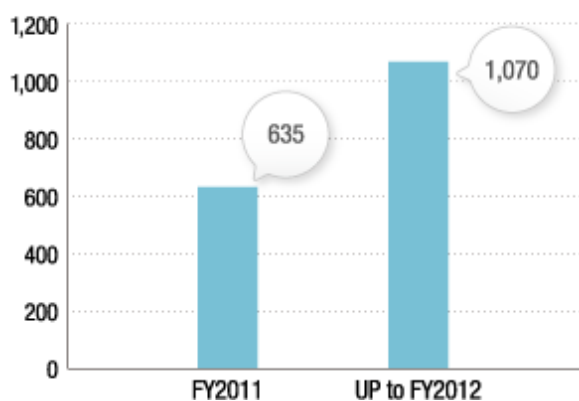


●● A robot competition during a science class, where children can enjoy learning how thermoelectric devices work

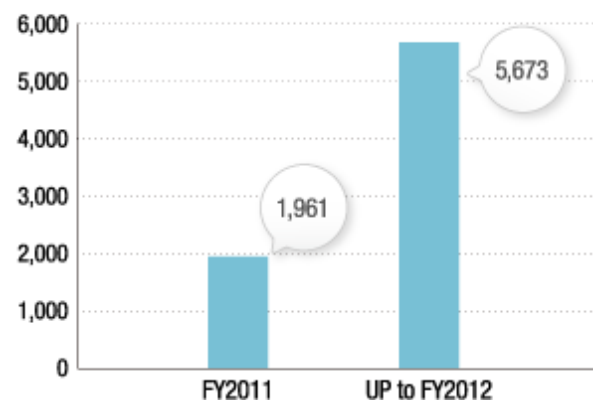


●● Exploring nature in the park's satoyama zone

■ Number of Visitors (Cumulative Total)
(people)



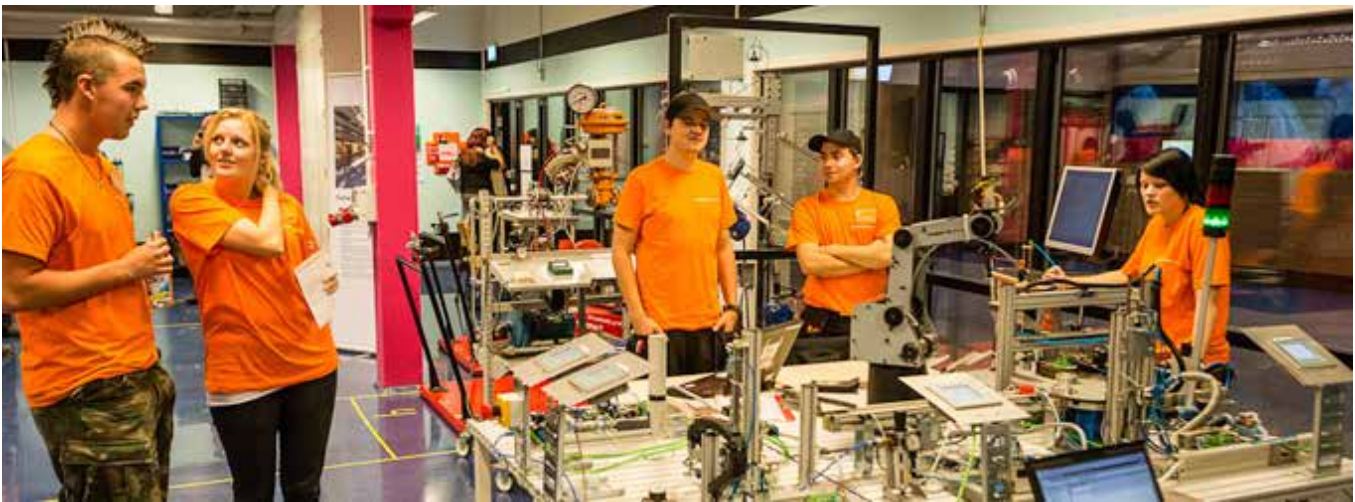
■ Number of Volunteers (Cumulative Total)
(people)



Social Contribution Efforts in Umeå, Sweden

Sweden's Komatsu Forest AB has extended a donation to the Technical College at the local Dragoon School to benefit the City of Umeå and neighboring regions. Facilities and equipment were replaced in one of the school's areas, which was named the Komatsu Technical Center in September 2012. The center has a manufacturing line equipped with the most advanced industrial robots as well as a welding workshop for training and an information processing center. A course has been added to the school curriculum to teach the KOMATSU Way of manufacturing and a scholarship was established so that outstanding students could come to Japan and experience manufacturing at Komatsu. The donation has helped to create a highly advanced educational environment with technologies similar to those used by leading corporations.

As the Komatsu Technical Center generates human resources capable of forming the backbone of manufacturing and attracts young, competent people, Umeå is expected to thrive as a major center for manufacturing education.



●● All equipment was replaced on the manufacturing line, now closely associated with Komatsu know-how.

Voice

A Technical Training Program of the Highest Standards in Europe

Support from Komatsu is contributing to enhanced competitiveness and the sustainable development of Umeå

Mr. Mikael Öhlund

City Chief Executive, City of Umeå



Umeå is northern Sweden's largest city and among the country's hottest spots for growth. It is also the European Capital of Culture 2014.

One of the greatest challenges facing Umeå is long-term access to technical and industrial competence. Consequently, Komatsu's donation to the Dragoon School Technology Centre is extremely important for future industrial development in the region. We are convinced that the donation will give Umeå one of the best technical training programs in Sweden. We have already noticed that the Technology Centre's courses are attracting more young people. This will strengthen the competitiveness of industrial companies. By enabling Umeå to reinforce its position as a leading industrial region, Komatsu's donation also contributes to Umeå's continued growth.

As regards courses tailored to industry, the Dragoon School Technology Centre is now an arena of the highest European level. Komatsu's donation has played a pivotal role here. The investment greatly contributes to making Umeå an attractive industrial city in which the Technology Centre plays an important role in driving Umeå's development.

We have been overwhelmed by Komatsu's obligingness and the close collaboration that has emerged. For many years, the municipality of Umeå has worked ambitiously toward long-term sustainable development. In Komatsu we have found a partner with whom we can work hand in hand to achieve our ambitions. We feel this is an excellent example of how communities and trade and industry can build the future together. With mutual respect for each other's roles, we want to build further on these success factors.

In the ways outlined above, the municipality of Umeå and our region are becoming ever more attractive for study and work. At the same time, with training courses that respond directly to the challenges of working life, we can supply companies with the skills they need. All this contributes to creating the conditions for Umeå to continue as a force for growth in northern Sweden. A shining and concrete example of this is that, to everyone's delight, several Dragoon School students, on passing their exams, have now been employed by Komatsu Forest.

Developing People

CSR Themes 2



Creating the Right Working Conditions for Everyone

Employees of the Komatsu Group companies are an indispensable asset for the Group, which seeks to foster a safe and comfortable working environment, while maximizing opportunities for employees.

Global Personnel Policy

Personnel systems reflect the history and culture of each particular region. It is therefore important to recognize and understand those differences.

Based on the basic policy outlined below, the members of the Komatsu Group are creating a personnel system tailored to the needs and reflecting the circumstances of each particular region.

- (1) We shall respect each employee's fundamental human rights, inherent personality, individuality, and legally protected privacy.
- (2) We shall treat and appraise each individual employee in a fair and impartial manner. We shall not discriminate against any employee on the basis of nationality, race, religion, age, gender, physical or mental disability or other legally protected attributes that are irrelevant to his or her performance. We shall vigorously endeavor to promote equal opportunities for employment and eliminate harassment in the workplace.
- (3) We shall endeavor to provide employees with workplaces where they can seek a good balance between their private and professional lives, while effectively accomplishing their respective tasks with satisfaction and pride.
- (4) We shall endeavor to design and administer the system of human resource management in a manner that is most reasonable and persuasive to the employees. We shall make such systems open and clearly explain them to the employees to the maximum extent practicable.
- (5) Komatsu Group companies shall comply with all applicable laws and regulations governing employee rights in the jurisdictions in which they operate, and faithfully accommodate, wherever applicable, conversations or discussions with employees or their representatives.
- (6) We shall not tolerate child labor or forced labor.
- (7) Komatsu Group companies shall endeavor to offer to their respective employees those terms and conditions for employment that are sufficiently competitive in their respective regions.

Enhancing Work-Life Balance

Reducing the Total Number of Working Hours

Reducing the total number of working hours is a key factor in achieving a healthy work-life balance for employees.

In Japan, for example, Komatsu has worked in coordination with labor unions on this issue to formulate numerical targets, which are now set at 2,100 or fewer working hours per year and at least 16 days of paid leave taken per year. Efforts are continuing to achieve efficient working conditions through measures such as the formulation of an activity schedule for each workplace.

In 1991, an employee volunteer incentive program was established, providing for a maximum of two years of paid leave and a maximum of 12 days per year of special leave. Furthermore, as of 2012, the company has awarded the President's Volunteer Award to 39 employees who dedicated themselves to outstanding long-term service to society. As for support for reconstruction in the areas devastated by the recent Great East Japan Earthquake, the company cooperated with the labor unions to pay a transportation allowance to employees traveling to the disaster-stricken region as volunteers.

Main Programs and Measures Designed to Enhance Work-Life Balance

Program/Measure		Description
Childcare support	Childcare leave program	Available for a maximum of three years from the birth of the child to the time the child enters nursery school. Also available for a maximum of three years for children up to the third year of elementary school in cases where a spouse is transferred, etc.
	Pregnancy, maternity and childcare leave	5 days during pregnancy (for women) 5 days when an employee's wife delivers (for men) 5 days for infant care (for both men and women)
	Part-time work	Shortening of working hours by a maximum of 3 hours per day to allow for care of children up to the third grade of elementary school
	Allowance toward the cost of using childcare services	Allowance toward the cost of childcare for infants up to age 2 before entering nursery school (10,000 yen/month)
	Nursing leave	5 days for nursing care of one child up to the third grade of elementary school, and 10 days for the second child onward
Care support	Family-care leave program	A maximum of 3 years available to employees taking care of family members
	Part-time work	Shortening of working hours by a maximum of 3 hours per day
	Care leave	5 days per year for attending to one family member in need of nursing care, and 10 days for the second family member onward
Other leave programs	Accumulated annual leave	Accumulation of a maximum of 40 days of unused annual leave
		An employee can add 5 new days of accumulated leave, not to exceed 10 days per year
		Can be used as sick leave, to take care of sick preschool children, or for care of family members
	Flexible leave	Provided to encourage employees to take 5 consecutive days of leave for the mental and physical rejuvenation
		Employees receive an additional 5 days of annual leave and a travel voucher upon completion of their 15th, 25th and 35th year of continued service
Volunteer incentive program	Long-term paid leave of up to 2 years, or short-term paid leave of 12 days per year	

Topics

Establishment of In-House Nursery "Komatsu Kids Oyama"

To create a workplace that is appealing to parents, "Komatsu Kids Oyama" was established in the Oyama Plant located in Tochigi in 2012.

Because in recent years the number of female employees and employees with children has increased, and to achieve a workplace that is safe, reassuring and

appealing for such individuals, a daycare center was established so that parents could entrust their children to care providers close to their workplace or receive support after returning to work from parental leave.

"Komatsu Kids Oyama" is available for open enrollment for the children of employees. The nursery initially began with 7 children but plans to expand to accommodate 30 children in the next 2 years.



●● Komatsu Kids Oyama, Nursery Room

Developing People

CSR Themes 2



The KOMATSU Way and Human Resource Development

The development of global human resources is an ongoing theme for the Komatsu Group. In addition to disseminating education in the KOMATSU Way so that it can be shared by employees worldwide, the company has set up a system geared toward training professionals in various fields.

Revision of the KOMATSU Way

We distributed the second edition of the KOMATSU Way in November 2011 and held briefings for managers at our plants and subsidiaries in Japan to explain the revised content.

Our overseas subsidiaries have been translating the second edition of the KOMATSU Way into the languages of their locations, and the translations for major subsidiaries were completed before March 2013.

The KOMATSU Way, Second Edition

- I. Introduction / What is the KOMATSU Way?
- II. Top Management
- III. "Monozukuri" for all employees
- IV. Brand Management

Key themes of the Management Section (Summary)

- Top management shall act with awareness of CSR, always have familiarity with the workplace, and formulate management policy based on analysis of data from the workplace.
- Make sure to hold board meetings regularly. Thoroughly discuss the agenda items through these steps: Reporting / Discussions / Resolutions.
- Top management should explain, in their own words, the current conditions and future direction of the company to all the stakeholders including employees.



●● Thai and Chinese versions of The KOMATSU Way; more language versions will be made available.



●● KOMATSU Way briefing at the Ibaraki Plant

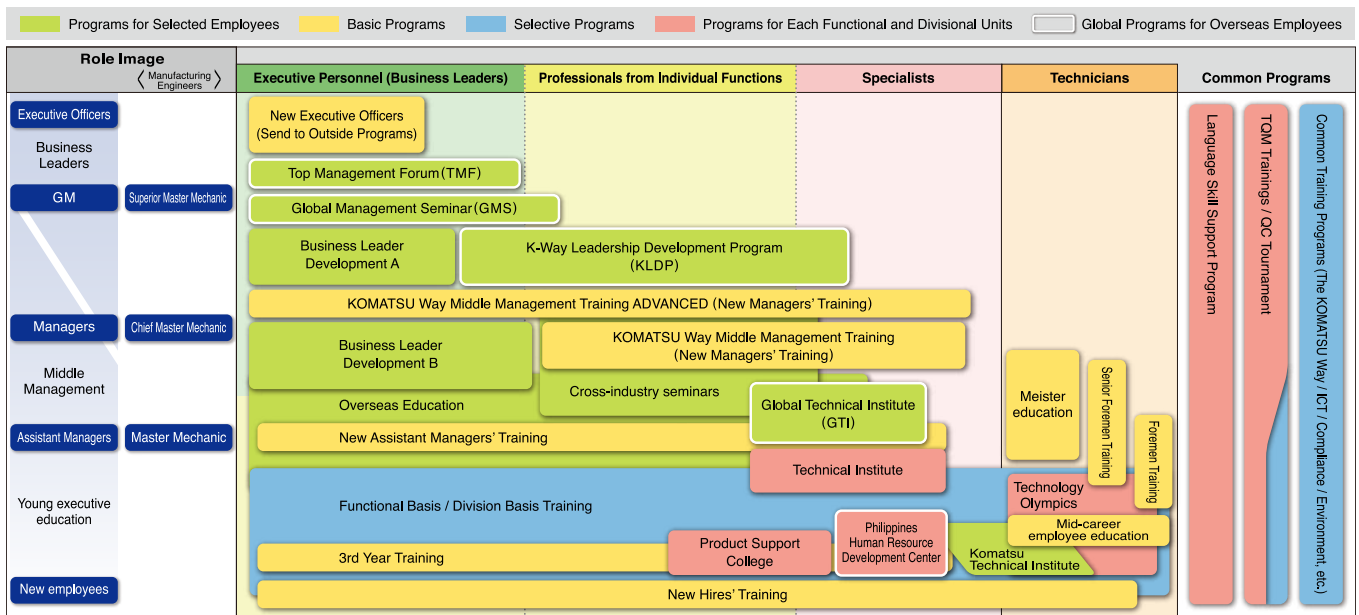


●● Briefing at Bangkok Komatsu

Human Resource Development and Training Structure

Komatsu strives for sustainable growth of both the company and employees through human resource development. Our policy is that "each employee should set high goals and be self-reliant and self-motivated in acquiring knowledge and skills" and that "the company should support employee career development through the implementation of necessary education for both the company and employees in a focused manner."

While fulfilling the education of professionals in a variety of fields, the company also supports the acquisition of knowledge and skills at every level at the company. Regular explanatory sessions and discussions are convened at Group companies to disseminate the KOMATSU Way and incorporate it into human resource development around the world at each level of the company hierarchy, as well as to allow this knowledge to be handed down to younger generations.



●● The Komatsu Education System

Growing with Society

CSR Themes 3



Continuing the Reconstruction of Areas Stricken by the Great East Japan Earthquake

Serving the Changing Needs of Disaster Areas, Step by Step

Komatsu has continued to offer support through its core business that directly serves the changing needs of areas affected by the Great East Japan Earthquake.

In the immediate aftermath of the earthquake, we set up our Tohoku Operation Department in Sendai City, Miyagi Prefecture. This led to a cooperative effort with governments in the affected areas to identify the needs and support reconstruction, primarily by meeting requests for rent-free construction equipment and temporary housing. Currently, support and cooperation for full-scale reconstruction are essential, and we continue to provide practical, step-by-step support as the situation requires.



●● The Tohoku Operation Department served as a base for evaluating local needs and providing quick support.



Providing Direct Support and then Facilitating the Recovery of Local Communities

■ First Stage Direct support for earthquake and tsunami victims

Immediately after the earthquake, the most urgent challenges were to remove the scattered debris and restore damaged roads. To aid in these efforts, Komatsu gathered 264 pieces of construction equipment from around the country and loaned them free of charge. In addition, 671 employees from the sales and support divisions helped operate the equipment at 55 sites in the disaster-stricken prefectures of Iwate, Miyagi and Fukushima.

■ Second Stage Recovery of local communities

As finding a "space to pursue everyday life" became a top priority for residents of the disaster-stricken areas, Komatsu began contributing to local recovery efforts by providing temporary container houses and prefabricated housing free of charge. Local communities are using these facilities as schools, kindergartens, post offices and clinics.



●● Hydraulic excavator in operation in Onagawa, Miyagi Prefecture, where removal of debris was a pressing need



●● Temporary post office provided by Komatsu in Rikuzentakata City, Iwate Prefecture

Today: Supporting Full-Scale Reconstruction

We are now in the third stage of assisting in the full-scale reconstruction. Komatsu donated forklifts to the NPO "Signal of Hope" to support the recovery of local industry. About 60 forklifts are now in service at damaged fisheries facilities. We also established the Komatsu Safety Training Center, Miyagi Center and cover half of the tuition to train much needed construction equipment operators and assist disaster victims' in finding employment. More than 4,700 students have already participated in the training, many of whom are now demonstrating their skills at recovery and reconstruction sites.

Providing aid to students who will play important roles in manufacturing is another endeavor we are currently involved with. As part of this initiative, we provide "Komatsu Scholarships" through the Institute of National Colleges of Technology, Japan to students of national technical colleges in the Tohoku and Northern Kanto regions, which were stricken by the disaster. In addition, we established the "Rio Tinto-Komatsu Scholarship" in collaboration with the mineral resource mining company Rio Tinto and a Komatsu customer, and provided them to students at National University Corporation Tohoku University.



●● Forklift donated to support the recovery of the fisheries industry



●● Komatsu Safety Training Center, Miyagi Center, in Natori City, Miyagi Prefecture

Harnessing Our Advanced Technology as a Manufacturer to Support Reconstruction

Komatsu is supporting reconstruction efforts by harnessing our advanced technology, which we have developed as a manufacturer of construction machinery. Komatsu sent radio-controlled equipment to remove rubble and debris at the Fukushima Daiichi Nuclear Power Station. Regarding the removal of radioactive materials, there are strong expectations for computer-aided bulldozers that utilize ICT to automatically excavate surface soil to a fixed, preset depth.

Construction equipment on ships cannot be used at many reconstruction sites, such as shallow areas of rivers, debris-cluttered riverbanks and small fishing ports. In order to reach these sites, we refurbished our amphibious bulldozer for the first time in 20 years. The bulldozer was developed in 1971 as an alternative to mounting construction equipment on boats for work in shallow waters at the mouths of rivers or in bay areas, but its production has since been discontinued. We selected and upgraded one of five amphibious bulldozers still in service and then dispatched it for use in a recovery effort on a bridge that had been damaged by the earthquake. This radio-controlled bulldozer can be used not only on land but also as deep as seven meters underwater, and is currently being operated at reconstruction sites that are difficult for ships to reach.

Looking ahead, we will continue to support full-scale reconstruction efforts by leveraging the Komatsu Group's management assets.



●● Amphibious bulldozer in operation in the Natori River in Miyagi Prefecture

Voice

Return of the Amphibious Bulldozer

Leading the recovery and reconstruction of damaged fishing ports, bays and rivers

Mr. Masaki Umakakeba,

Civil Engineering Technology Dept., Aoki Asunaro Construction Co., Ltd.



I was speechless as the current of the Natori River reversed and swallowed nearby houses. The tsunami was of unprecedented size! At a little after 3 p.m. on March 11, 2011, a stunning scene was unfolding before me on a monitor in the lobby of New Chitose Airport. Although two years have passed since that day, the coastal areas of Sanriku, Miyagi and Fukushima seem far from recovery.

Since the first amphibious bulldozer was developed in 1971, I have been involved in construction work for breeding zones, fishing ports, bay areas and riverbanks on the northern coast of Iwate Prefecture, which was devastated by the tsunami. The five amphibious bulldozers still in service, however, were worn out from long use and required one repair after another. Two years ago, the people at Komatsu stood up for earthquake reconstruction and completed a major refurbishment of the bulldozer. Komatsu factory staff who worked on the repairs were amazed at the sophisticated technology used in 1971.

We are still receiving requests to dispatch equipment to construction sites for recovery and reconstruction and for use in shallow waters and the sea. With help from my good partners at Komatsu, I hope to pass along the amphibious bulldozer and its outstanding performance to the next generation.

Growing with Society

CSR Themes 3



Dialogue with Our Stakeholders

In addition to maintaining a dialogue with all of our stakeholders, including employees, business partners, investors, shareholders and local communities, we also invite stakeholders from outside the company to voice their opinions on Komatsu's management and business.

Global Dialogue with Our Stakeholders

In February 2012, we invited stakeholders from international non-profit organizations as well as local governments and universities in Japan to a dialogue at our Osaka Plant. Under the theme of "Envisioning the manufacturing base of the 21st century," participants discussed issues such as "What does society expect from the Osaka Plant, which we call the 'mother plant' of Komatsu's global production?" and "How can we continue to contribute to society over the long term?" Valuable insights we gained from stakeholder opinions included the importance of maintaining transparent communication and conducting CSR activities throughout the supply chain.



●● Stakeholder dialogue at the Osaka Plant

Exchange between Industry-Academia Collaboration Partners

While partnering with major universities in Japan, Komatsu also promotes industry-academia collaborations in China with Shandong University and Tongji University through joint research, internships and other projects. In April 2012, we invited Tongji University faculty members involved in research, career guidance and student internships to Komatsu (Changzhou) Construction Machinery Corp. and the KC Techno Center in Changzhou. We provided an overview of our construction equipment and held a dialogue between Komatsu and guests on developing skilled human resources through efforts such as offering specialized courses, providing student internship procedures and sharing laboratory resources.

In November 2012 and March 2013, meetings were held to present the joint research results of Komatsu's partner universities and the company. The researchers shared technical reports and engaged in a discussion that included student participation.

The proposals and opinions solicited through these discussions are both helpful and unique, and we will make efforts to see them reflected in our business and operations.



●● Tour of the KC Techno Center



●● Presentation of joint research results from Tongji University and Komatsu

Growing with Society

CSR Themes 3



Together with Business Partners

– Initiative for CSR Procurement –

Business partners that supply materials, parts and components are important in helping to sustain Komatsu's manufacturing activities. Komatsu encourages its partners to abide by social norms while working toward CSR procurement.

Establishment and Dissemination of the CSR Procurement Guidelines

Komatsu has consistently worked with its business partners on environmental and workplace safety-related activities. Following the release of the ISO26000 international guidelines on corporate social responsibility in November 2010, we established our CSR Procurement Guidelines in August 2011 to explain the priority CSR issues we would like our business partners to address.

These guidelines are intended to deepen the awareness of our business partners about corporate social responsibility so that we can mobilize the entire supply chain to accelerate the pace of CSR activities.

■ CSR Procurement Guidelines
Komatsu Criteria for Selecting and Evaluating Suppliers



The Komatsu Midori-kai group is an association of 164 major business partners in Japan that supply roughly 75% of the products Komatsu purchases within Japan. Top management at these companies regularly gather for meetings, including general conferences, roundtable discussions for managers and informal New Year's business functions. On each occasion, we emphasize the importance of CSR under our CSR guidelines to build greater awareness of CSR management.



●● CSR Communication, published twice a month for business partners in Japan since May 2011, with a total of 46 issues released by the end of FY2012 (March 31, 2013).

In addition, we have begun publishing CSR Communication, a periodic journal that introduces specific examples of CSR case studies to member companies of the Komatsu Midori-kai group and other domestic business partners. Since May 2011, CSR Communication has been posted twice a month on our website for business partners in an effort to consistently promote CSR.

Overseas Activities

Midori-kai groups have also been organized outside Japan by our major business partners in North America, Europe and China. There are currently 37 member companies in North America, 51 in Europe and 62 in China. Overseas group members participate as observers in the general conference held by the Midori-kai group in Japan, and an exchange between members from different regions is already taking place. We expect overseas members to draw upon the actions of the Japanese Midori-kai group to develop their own CSR activities that reflect the characteristics of each region.



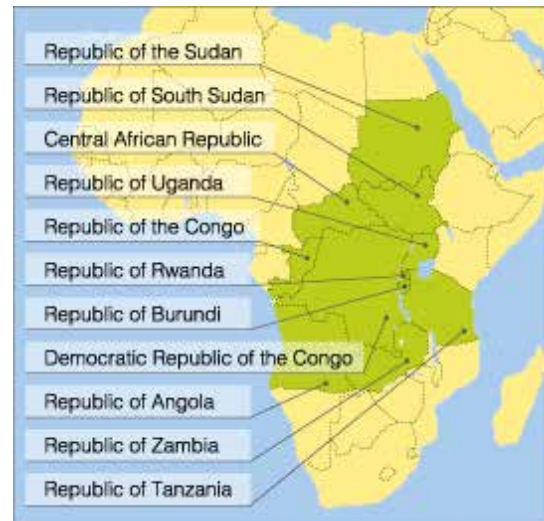
●● Member companies attended a meeting with other construction equipment companies in June 2013 in Detroit, U.S.A. and delivered a presentation on conflict minerals

Topics

Initiative on Conflict Minerals

■ Background on Regulations against Conflict Minerals

The term "conflict minerals" is used in reference to four minerals - tin, tungsten, tantalum and gold (abbreviated as "3TG"). Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted in July 2010 mandates that companies listed on U.S. stock exchanges report to the Securities and Exchange Commission when conflict minerals from the Democratic Republic of Congo (DRC) or its neighboring countries are necessary for the functionality or production of a product. The act is directed at cutting off sources of funding for military groups in the DRC, which has been ravaged by domestic conflict since 1996.



●● Countries Associated with Conflict Minerals

■ Komatsu's Policy on Conflict Minerals

Komatsu has adopted a policy of not using conflict minerals produced by the DRC or its neighbors (Angola, Central African Republic, Republic of the Congo, Rwanda, Southern Sudan, Tanzania, Uganda and Zambia) modeled after the U.S. Wall Street Reform and Consumer Protection Act and from our corporate social responsibility perspective.

During the regular meetings we hold with our suppliers at each Komatsu plant in Japan, we explain this policy as well as Komatsu's response to the conflict minerals issue and related requests to our suppliers. With the cooperation of suppliers, we are now conducting a country-of-origin survey to determine the location of origin of the conflict minerals we use.

Looking ahead, we will conduct a more detailed survey that includes refineries in its scope and continue taking steps to prevent the use of conflict minerals from the DRC and its neighbors and thereby restrict funding for military groups.

Growing with Society

CSR Themes 3



Project for Creating Safe Villages

– Turning a Field of Mines into a Place to Live.
We Help People Sustain Themselves and Thrive. –

Using its expertise in construction equipment technology, Komatsu is supporting demining work in areas plagued by anti-personnel landmines. Komatsu also participates in community development projects to revitalize affected areas.

Restoring Safety to the Land and Supporting the Construction of Basic Infrastructure toward Self-Reliance and Development of Communities

Since 2008, Komatsu has been working jointly with the Japan Mine Action Service (JMAS), an incorporated non-profit organization (NPO), on a community-development project to demine and rebuild areas affected by anti-personnel landmines in Cambodia and Angola.

Komatsu provides demining and construction machinery, developed through our expertise and Monozukuri (manufacturing) knowledge as a construction equipment manufacturer.

After demining, we begin development of the safe land for agricultural use utilizing our construction equipment. We also implement community rejuvenation and reconstruction projects that include digging detention basins, building elementary schools, and repairing and building roads and bridges to support the construction of basic infrastructure so that communities will be able to sustain themselves and thrive.



●● Komatsu demining machine for removal of anti-personnel mines



●● Komatsu construction equipment for building infrastructure

Project for Creating Safe Villages in Cambodia

Over the past five years, we have completed demining efforts and rejuvenated areas spanning five villages. We have also removed landmines from an area of approximately 450 ha, repaired and built roads stretching 20 kilometers, dug around 40 detention basins, created settlements for 500 families and constructed four elementary schools. As a result, minefields have been resuscitated into farmland and distribution routes have



●● Cornfields spread out across the safe land and the Komatsu School



●● Children at a settlement

Project for Rebuilding Communities in Angola, Africa

Since FY2009 we have also been participating with JMAS in a demining and community rebuilding project in Angola, West Africa. We have demined approximately 100 ha and offered support to the local people, including cleanup activities and efforts to improve their perception of agriculture. Plans are currently underway to move the state capital to the mine-cleared part of Mabubas.



●● Removing landmines in Angola



●● Plan for constructing a water purification plant as part of the effort to move the state capital

Growing with Society

CSR Themes 3



Frameworks for Promoting Compliance

Following the principle that compliance is a top priority, Komatsu will ensure that it fully understands and complies with business rules while also reinforcing its compliance system.

Strengthening Compliance

To ensure that the entire Komatsu Group fully understands the rules of the business community, Komatsu has appointed an executive officer in charge of compliance and established the Compliance Department to handle this area exclusively. The Compliance Committee, chaired by the President and CEO, reviews the Group's action policies and important issues while regularly reporting on the status of compliance-related activities to the Board of Directors.

Komatsu's Code of Worldwide Business Conduct

The company has formulated Komatsu's Code of Worldwide Business Conduct (established in 1998 and revised seven times to date) as a compilation of best business practices to be observed by officers and employees of Komatsu Group companies both in and outside Japan. The code addresses topics such as free and fair business practices, appropriate relationships between the company and employees, endeavors for the global environment, the handling of information and the establishment of an internal control structure. The text of the code has been released to the public in its entirety.

Komatsu considers CSR as a key responsibility, and Komatsu's Worldwide Code of Business Conduct clearly conveys our policy of giving full weight to CSR. The pillar of Komatsu's CSR activities is based on constant repetition of the following process, outlined in the Code of Worldwide Business Conduct: (1) Establish the Code of Business Conduct, (2) Implement the Code of Business Conduct, (3) Determine the Code's current status and (4) Address inadequacies.

Process for Compliance Activities

(1) Establish the Code of Business Conduct

Formulate Komatsu's Worldwide Code of Business Conduct as a foundation for compliance activities and revise this code (currently in its 8th edition) as required to reflect social change.

(2) Implement the Code of Business Conduct

Implement the Code of Conduct through education that corresponds to employee rank and the types of operations in which they are involved, and by communicating information in accordance with Komatsu's Worldwide Code of Business Conduct.

(3) Determine the Code's current status

Determine the level at which Komatsu's Worldwide Code of Business Conduct is being applied by having all business units regularly report on their use of the code and by conducting audits and enhancing the Internal Reporting System.

(4) Address inadequacies

Any issues identified during the above activities will be addressed in accordance with Komatsu's Worldwide Code of Business Conduct and preventive measures will be implemented.

Toward Thorough Compliance

For continual awareness of compliance among employees, the Group is working to raise their knowledge of best business practices by displaying in every Komatsu Group business unit posters that list "The Five Principles of Compliance," a condensed version of the code of basic conduct related to compliance. Beyond this, we strive to provide effective awareness-raising through the use of e-Learning and well-developed, compliance-related education and training that correspond to employee rank and the types of operations in which they are involved. Moreover, the Group not only conducts financial audits, but we also undertake compliance risk auditing of our business units and Group companies to monitor compliance in important areas such as safety and environmental practices, which enables us to detect risks early and make improvements.

Internal Reporting System

Komatsu has set up consultation offices both internally at Komatsu Group companies and externally at law firms, collectively known as the Employee Business Rule Consultation Offices, in order to respond to consultations with or reporting from Group company employees pertaining to best business practices or questionable actions. We promote active consultation and reporting by clearly stating in Komatsu's Worldwide Code of Business Conduct and Group company workplace rules that employees who use the system for appropriate reporting will not be treated unfairly in any way as a result of that action.

State of Compliance in FY2012

The Komatsu Group experienced no substantial compliance-related infractions or incidents in FY2012.

Growing with Society

CSR Themes 3



Risk Management

While Komatsu continues to make efforts to improve corporate value, it recognizes issues related to compliance, in particular the environment, product quality, accidents and information security, as risk factors for sustainable growth and is therefore implementing the following countermeasures.

Basic Principles and System for Risk Management

- Komatsu has established Risk Management Rules to correctly recognize and manage risks, for which the company has appointed personnel in charge of individual risks, further promoting the build-up of a solid foundation for risk management.
- Komatsu has established a Risk Management Committee to devise risk management policies of the Komatsu Group, evaluate risk measures in place, and take control of risks when they surface. The Risk Management Committee regularly reports its reviews and activities to the Board of Directors.
- Komatsu will establish an emergency headquarters when serious risks surface and work to minimize damage(s) and implement appropriate measures.

Implementing a Business Continuity Plan

Komatsu has formulated a business continuity plan (BCP) to carry out major operations without suspension, or restore them after a short suspension, should a disaster or accident occur.

At the Head Office, we conduct regular drills to ensure that employees are capable of taking appropriate action in the event of a real emergency, assuming the occurrence of an earthquake striking beneath the greater Tokyo metropolitan area, a disaster considered to be highly probable.

All our plants have been enhancing the seismic strength of their buildings and facilities while developing measures against torrential rainfall in accordance with the plans each plant has formulated.

Moreover, in the event of an outbreak and subsequent epidemic of a new strain of influenza, a specialized committee will be set up to implement appropriate measures. We also strive to deepen employees' understanding by providing an action manual on how to prevent and respond to an outbreak, and related education.



●● Drill for a first stage response by the interim emergency headquarters at the Head Office



●● Rescue drill with the Tochigi Prefectural Aviation Firefighting Team at the Oyama Plant using a disaster prevention helicopter

Promoting Risk Management throughout the Group

To reinforce the risk management structure across the Group, Komatsu is working to enhance the level of management at each Group company by establishing reporting lines and manuals related to risk and through explanatory meetings and study sessions on risk management and BCPs.

We are also strengthening our Group-wide system for communications in times of emergency by introducing tools such as an emergency contact and employee safety confirmation system and a wide range two-way radio and by conducting regular drills on using the system and securing communications.

Consolidating Information Security

With the Information Security Committee at its core, Komatsu is developing a structure for information security for the entire Group and implementing various control measures. As part of this, we distribute an Information Security Guidebook to all employees in order to raise their awareness of thorough compliance with the rules.

Additional measures have included the establishment of a protective framework for our system to prevent information from being falsified, destroyed, leaked or lost due to negligence or unauthorized access from outside the company.

Moreover, we undertake information security audits to confirm that measures are being effectively implemented, and to discover defects and make the required improvements.



●● Information Security Guidebook

Corporate Governance

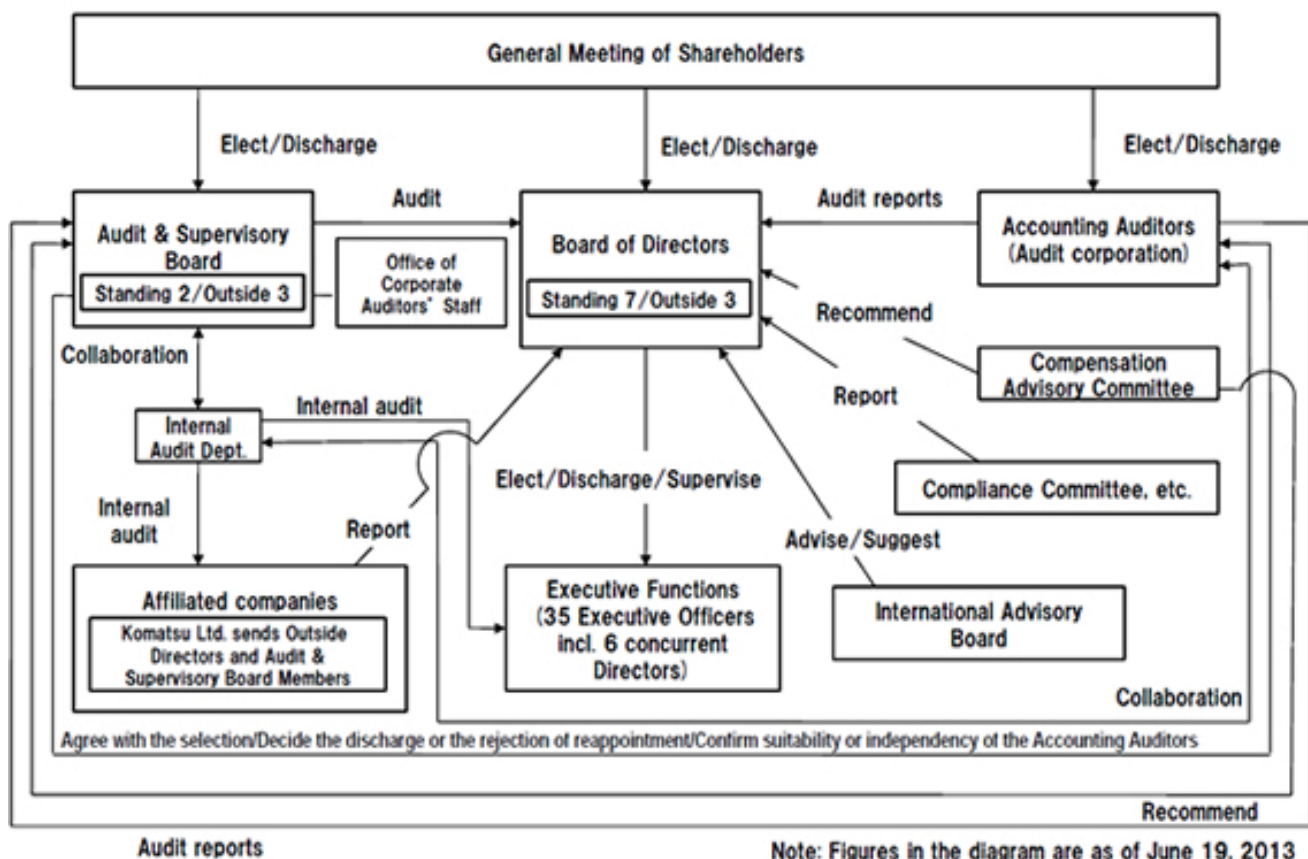
Basic Stance

We, at Komatsu Ltd., believe our corporate value is the total sum of trust given to us by society and all stakeholders. To become a company which enjoys more trust from shareholders and all other stakeholders, we are working to strengthen corporate governance, improve management efficiency, advocate corporate ethics and ensure sound management on a group-wide basis. To further improve the transparency of management for our shareholders and investors, we disclose information in a fair and timely manner and actively engage in investor relations' activities by holding meetings with shareholders and investors.

Establishment and Improvement of Corporate Governance

In 1999 Komatsu Ltd. introduced the Executive Officer System and has been working to separate management decision making and supervisory functions from executive functions to the extent permitted by laws and regulations. At the same time, we also limit the Board of Directors to a small number of members and appoint Outside Directors and Outside Audit & Supervisory Board Members. To improve the effectiveness of discussions at meetings of the Board of Directors, we have worked to reform their operational aspect, primarily by putting in place a system to ensure thorough discussions of important management matters and prompt decision making. We have also established the International Advisory Board (IAB) as a means to supplement executive functions.

Corporate Governance of Komatsu



Organizational Profile

Board of Directors

Komatsu Ltd. holds Board of Directors' meetings periodically at least once every month. The Board of Directors deliberates and makes resolutions on important matters, determines management policies of Komatsu, and rigorously controls and supervises the execution of duties by all members of the executive management team including Representative Directors. Of the 10 Directors on the Board, three are Outside Directors to ensure transparent and objective management.

Outside Directors (As of June19,2013)

Name	Title	Reasons for Selection
Kensuke Hotta	Chairman and Representative Director of Greenhill & Co. Japan Ltd. Chairman and Representative Director of Hotta Partners Inc.	Having served as Representative Director of The Sumitomo Bank, Ltd. (name at the time) and having experience as Representative Director of Morgan Stanley Japan Securities Co., Ltd. (name at the time), Mr. Kensuke Hotta has been active internationally in the financial field and has considerable insight and rich experience in the business world. Using this insight and experience, his proposals concerning the overall management of the Company are expected to contribute to sustaining and improving transparency and soundness of management and enhancing corporate governance. Therefore, we have elected him as an Outside Director.
Noriaki Kano	Professor Emeritus at Tokyo University of Science	Having served as President of the Japanese Society for Quality Control, Dr. Noriaki Kano has been active internationally as a specialist of quality control and has considerable insight and rich experience. Using this insight and experience, his proposals concerning the overall management of the Company are expected to pursue higher "Quality and Reliability," the fundamentals of the Company's management, and enhance corporate value. Therefore, we have elected him as an Outside Director.
Kouichi Ikeda	Corporate Advisor of Asahi Group Holdings, Ltd.	Having served as Representative Director of Asahi Breweries, Ltd. (name at the time), Mr. Kouichi Ikeda has considerable insight and rich experience in the business world. Using this insight and experience, his proposals concerning the overall management of the Company are expected to contribute to sustaining and improving transparency and soundness of management and enhancing corporate governance. Therefore, we have elected him as an Outside Director.

Audit & Supervisory Board

The Audit & Supervisory Board determines such matters as audit policies and the division of duties among Audit & Supervisory Board Members. Each Audit & Supervisory Board Member attends meetings of the Board of Directors and other important meetings, and audits the execution of duties by Directors. Meetings of the Audit & Supervisory Board are in principle held periodically at least once every month, and the Board performs appropriate audits by such means as hearing reports from members of the executive management team on their execution of duties. The Company has also established the Office of Corporate Auditors' Staff to assist the Audit & Supervisory Board Members in their duties. At least half of the five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.

Outside Audit & Supervisory Board Members (As of June 19, 2013)

Name	Title	Reasons for Selection
Makoto Okitsu	Advisor of Teijin Limited	Having served as Representative Director of Teijin Limited and Nabtesco Corporation, Mr. Makoto Okitsu has considerable insight and profound experience in the business world. Using this experience, we expect him to execute his duties as Outside Audit & Supervisory Board Member from the standpoint of a specialist. Therefore, we have elected him as Outside Audit & Supervisory Board Member.
Hiroyuki Kamano	Partner (Attorney at law) of Kamano Sogo Law Offices	Having served as an international attorney at law, Mr. Hiroyuki Kamano has rich experience in the field of international legal affairs. Using this experience, we expect him to execute his duties as Outside Audit & Supervisory Board Member from the standpoint of a specialist. Therefore, we have elected him as Outside Audit & Supervisory Board Member.
Kunihiro Matsuo	Attorney at law	Having served as Prosecutor-General of the Supreme Public Prosecutors Office, Mr. Kunihiro Matsuo has rich experience in the legal profession. Using this experience, we expect him to execute his duties as Outside Audit & Supervisory Board Member from the standpoint of a specialist. Therefore, we have elected him as Outside Audit & Supervisory Board Member.

Compliance

We have established the Compliance Committee as the group to oversee compliance, and it regularly reports its reviews and activities to the Board of Directors. We shall also establish a system to ensure Directors and employees thorough compliance to business rules as well as laws and regulations through a variety of measures, including the provision of Komatsu Code of Worldwide Business Conduct, appointment of the Executive Officer in charge of compliance, and establishment of the Compliance Department. Through all of these, we work to supervise, educate and train Directors, Audit & Supervisory Board Members and employees. In addition, we shall establish the internal reporting system where those who are discretely reporting questionable actions in light of laws and regulations and business rules will not be penalized.

Corporate Information

Outline

Name	Komatsu Ltd.
Head Office	2-3-6 Akasaka, Minato-ku, Tokyo 107-8414, Japan
Date of Establishment	May 13, 1921
Common Stock Outstanding	Consolidated: ¥67,870 million (US\$828 million) based on U.S. GAAP Non-consolidated: ¥70,120 million (US\$855 million)
Number of Employees	Consolidated: 46,790 Non-consolidated: 9,921

Shareholder Information

Shares of Common Stock Issued and Outstanding	953,327,882 shares
Number of Shareholders	245,103
Number of Shares per Trading Unit	100
Securities Code	6301 (Japan)
Stock Listings	Tokyo and Osaka
Transfer Agent for Common Stock/ Management Institution for Special Account	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
Depositories (ADRs)	The Bank of New York Mellon 101 Barclay Street, New York, NY 10286, U.S.A. Non-U.S. Callers: +1-(201)-680-6825 U.S. Callers: 888-269-2377 (888-BNY-ADRS) URL: http://www.adrbnymellon.com Ticker Symbol: KMTUY

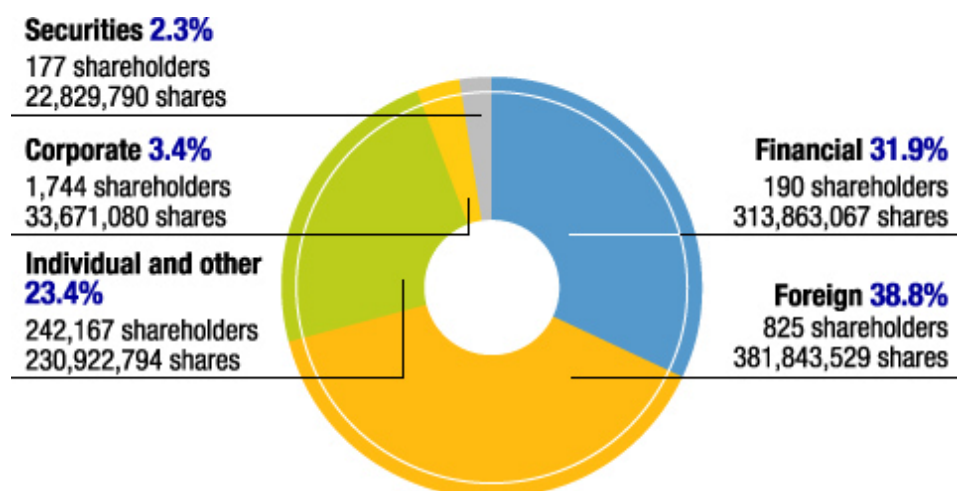
Major Shareholders (Top Ten) (As of March 31, 2013)

Name of Shareholders	Number of Shares Held (thousand shares)	Equity Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	51,721	5.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	42,892	4.4
Taiyo Life Insurance Company	34,000	3.5
Nippon Life Insurance Company	33,283	3.4
State Street Bank and Trust Company (standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	24,561	2.5
The Bank of New York Mellon as Depository Bank for Depository Receipt Holders (standing proxy: Sumitomo Mitsui Banking Corporation)	23,145	2.4
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS (standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	21,153	2.2
JPMorgan Chase Bank 380055 (standing proxy: Settlement & Clearing Services Division, Mizuho Corporate Bank, Ltd.)	20,671	2.1
State Street Bank and Trust Company (standing proxy: Settlement & Clearing Services Division, Mizuho Corporate Bank, Ltd.)	18,202	1.9
Sumitomo Mitsui Banking Corporation	17,835	1.8

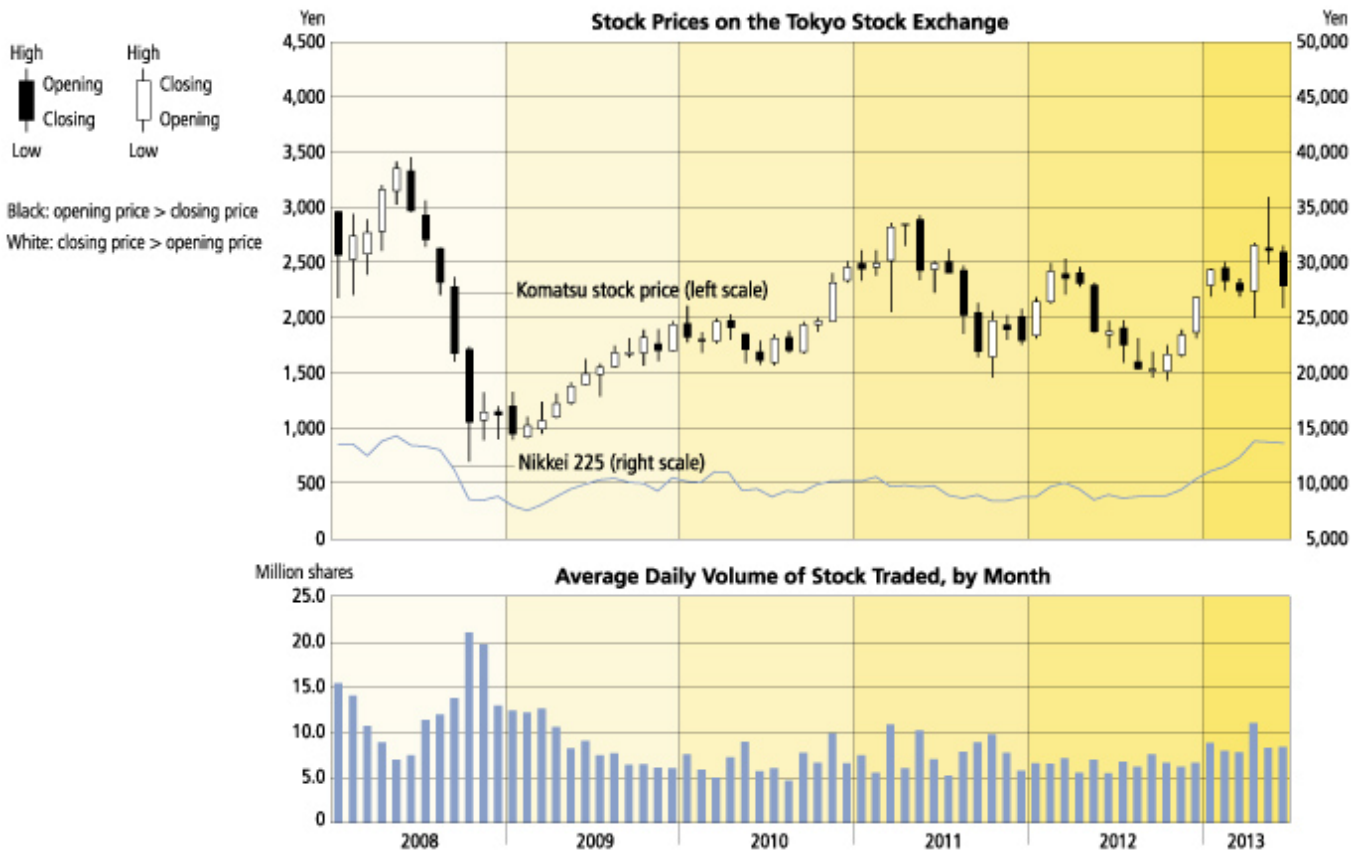
Notes : Shareholding ratio is calculated by subtracting treasury stock.

2. Although the Company holds 29,802 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

Breakdown of Shareholders (As of March 31, 2013)



■ Stock Prices on the Tokyo Stock Exchange



Financial Section

Financial Review	01
Five-Year Summary	09
Consolidated Balance Sheets	11
Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	13
Consolidated Statements of Equity	14
Consolidated Statements of Cash Flows	15
Business Segment Information	16
Komatsu Group Investment Holdings	18

For notes to consolidated financial statements and other information,
please see FORM 20-F filed on U.S. SEC.

Results of Operations

In this section, KOMATSU LTD. is hereinafter referred to as the "Company," and together with its consolidated subsidiaries as "Komatsu."

(1) General

Consolidated net sales of construction, mining and utility equipment sales declined from the previous fiscal year, reflecting a drastic decline in demand for construction equipment in China and a sharp drop in demand for mining equipment mainly in Indonesia, as adversely affected by the falling price of coal. In the industrial machinery and others business, while sales of large presses to the automobile manufacturing industry, as well as machine tools for use in automotive engine production increased from the previous fiscal year, those of wire saws for use in slicing silicon ingots for the solar cell market sharply fell. As a result, consolidated net sales in this business segment declined from the previous fiscal year.

Consolidated net sales decreased by 4.9% from the previous fiscal year to, ¥1,884,991 million (US\$20,053 million at US\$1=¥94). With respect to profits, Komatsu focused continuous efforts to increase selling prices and reduce production costs. Affected by a big drop in sales volume from the previous fiscal year, profits declined in both businesses of construction, mining and utility equipment as well as industrial machinery and others. Operating income declined by 17.5% to ¥211,602 million (US\$2,251 million). Operating income ratio decreased by 1.7 percentage points to 11.2%, and income before income taxes and equity in earnings of affiliated companies declined by 18.0% to ¥204,603 million (US\$2,177 million). Net income attributable to Komatsu Ltd. amounted to ¥126,321 million (US\$1,344 million), a decline of 24.4% from the previous fiscal year.

[Markets as Positioned by the Komatsu]

Traditional Markets: Japan, North America and Europe
Strategic Markets: China, Latin America, Asia, Oceania, Africa, Middle East and CIS

	Results for the Year	Decrease
Net sales	1,884,991 million yen	4.9%
Operating income	211,602 million yen	17.5%
Income before income taxes and equity in earnings of affiliated companies	204,603 million yen	18.0%
Net income attributable to Komatsu Ltd.	126,321 million yen	24.4%

(2) Impact of Foreign Exchange Rate

In comparison to the previous year, Japanese yen depreciated against the U.S. dollar, the Euro and the Renminbi during the current year. Such currency fluctuations impacted segment profit in the Construction, Mining and Utility Equipment segment for the year favorably by approximately ¥6.7 billion from the previous year.

The impact of currency fluctuations is determined as the sum of the amounts obtained by multiplying foreign currency transactions of each entity by the change in the applicable exchange rate. However, the effects of change of selling price due to currency fluctuations were not taken into account.

(3) Net Sales

(In this section, the amount of sales represent sales to the external customer.)

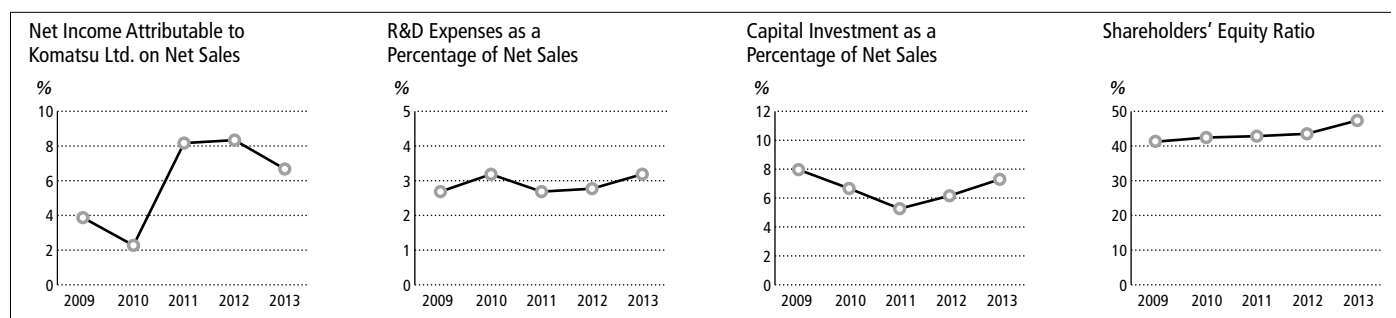
Consolidated net sales decreased by 4.9% as compared to the previous year, to ¥1,884,991 million (US\$20,053 million) from ¥1,981,763 million. Net sales in Japan decreased by 5.6% as compared to the previous year, to ¥380,024 million from ¥402,505 million. Net sales in overseas countries decreased by 4.7% as compared the previous year, to ¥1,504,967 million from ¥1,579,258 million.

Business results by operation segment are described below.

Construction, Mining and Utility Equipment

With respect to construction equipment, while demand increased in North America and Japan from the previous fiscal year, Chinese demand for hydraulic excavators dropped considerably. As a result, global demand remained sluggish. On the mining equipment market, while demand for equipment declined, centering on Indonesia, as adversely affected by the falling price of coal, demand increased steadily for equipment especially in Latin America and Oceania as well as parts and service from the previous year. With this background, consolidated net sales of construction, mining and utility equipment decreased by 3.6% from the previous fiscal year, to ¥1,677,049 million (US\$17,841 million).

To further enhance profitability and reinforce its corporate strength, Komatsu continued efforts to increase selling prices, reduce production costs and improve operations designed to flexibly respond to changes in foreign exchange rates and market demand. Komatsu also worked to reinforce its aftermarket business by improving its strategic parts operation which in-



cludes buckets and teeth, the demand for which is strong, especially in Strategic Markets and the mining industry, as well as its Reman (Remanufacturing) and rebuild operations. With respect to production operation, Komatsu embarked on full-scale efforts to cut down electric power consumption at all plants in Japan.

With respect to product development, Komatsu continued its efforts on products which feature advantages in the areas of environmental friendliness and fuel economy. Following North America and Europe, Komatsu launched new emission standards-compliant models in Japan in July last year. Combined with these models, Komatsu began offering the KOMATSU CARE, a new service program designed to reduce the total life-cycle costs of these models and prolong machine life. Komatsu also continued to expand sales of HB205 and HB215LC hybrid hydraulic excavators worldwide, and topped cumulative sales of 2,000 units in March 2013. In the forklift truck business, Komatsu launched sales of FH Series hydrostatic-driven forklift trucks in Japan, which feature Komatsu's technological expertise in hydraulic control accumulated and refined for construction equipment over the years. With steady orders received since then, Komatsu embarked on overseas sales in February 2013.

<Japan>

As the sales of surplus used equipment exported from Japan bottomed out, which had outnumbered demand for new equipment since around 2000, demand for new construction equipment increased.

The increase in demand for new construction equipment was due in part to increased purchases of such equipment by rental companies who experienced greater demand for such equipment in light of the fact that the restoration and reconstruction projects after the Great East Japan Earthquake continued. As a result, demand steadily increased and net sales increased by 2.2% to ¥292,732 million (US\$3,114 million) as compared to the previous fiscal year.

Concerning new emission standards-compliant models, we have launched 30 models in total since July 2012 and worked to expand sales in Japan. In solid collaboration with its distributors, Komatsu has also continued to increase the retail prices of all major models from the previous fiscal year.

<Americas>

In North America, demand grew from the previous fiscal year, supported by increased demand in the housing sector as well as strong demand in the rental and energy development industries. With respect to new emission standards-compliant models, Komatsu has aggressively been introducing them by combining them with the KOMATSU CARE program. As a result, they have moved up to the top 70% of total sales of new Komatsu

equipment on a unit basis. In response to strong demand for rental equipment, Komatsu worked to reinforce distributors' rental equipment business. In Latin America, demand for mining equipment remained strong, centering on copper mines in Chile and Peru, while demand for construction equipment was sluggish in Brazil, the largest market of the region. As a result, overall demand for equipment was firm, and sales in the Americas advanced from the previous fiscal year.

As the result, net sales in the Americas increased by 20.9% to ¥535,750 million (US\$5,699 million) as compared to the previous fiscal year.

<Europe & CIS>

As economic uncertainty prevailed against the backdrop of sovereign-debt problems, demand remained sluggish, even in the major markets of Germany, France and the United Kingdom. As a result, sales in Europe decreased from the previous fiscal year. While steadily advancing the market introduction of new emission standards-compliant models, Komatsu concerted efforts to prepare for the launching of intelligent Machine Control construction equipment, designed to automate construction, in Europe in the current fiscal year ending March 31, 2014. In CIS, demand remained firm, especially in gold mines, and sales increased from the previous fiscal year. As the result, net sales in Europe and CIS decreased by 5.3% to ¥189,833 million (US\$2,020 million) as compared to the previous fiscal year.

Komatsu has reached agreements with Pacific National University and Far Eastern Federal University to collaborate in human resource development for construction, mining and road construction equipment. In October 2012, Pacific National University began the first course.

<China>

Although the government introduced credit-easing measures, there were still no clear signs for new infrastructure development start-ups. Demand for hydraulic excavators plunged considerably from the previous fiscal year, and sales plunged drastically.

In response to this sharp decline in demand, Komatsu focused its efforts on assessing retail market conditions right away and maintaining an appropriate level of inventories, mainly by maximizing the use of the KOMTRAX. As there are some signs of demand bottoming out at last, Komatsu has recovered post-Chinese New Year sales of hydraulic excavators to the level of the previous year on a unit basis, partly reflecting the market introduction of new 20-ton class hydraulic excavators, designed particularly for a fuel economy.

As a result, net sales decreased by 40.4% to ¥119,940 million (US\$1,276 million) from the previous fiscal year.

<Asia & Oceania>

In Asia, while demand advanced for use in the reconstruction of areas damaged by the flood in Thailand in 2011, demand plummeted drastically for large, medium-sized small equipment for use in mines in Indonesia, the largest market of Southeast Asia, particularly affected by the falling price of thermal coal. As a result, sales dropped sharply from the previous fiscal year.

In Oceania, demand for mining equipment for use in iron ore mines, as well as for construction equipment, remained steady, and sales increased from the previous fiscal year. As a result, net sales decreased by 14.6% to ¥411,059 million (US\$4,373 million) from the previous fiscal year. Concerning the large-scale project to deliver driverless dump trucks to iron ore mines in Australia, under a Memorandum of Understanding signed by Rio Tinto and Komatsu in November 2011, Komatsu and Rio Tinto have continued to make steady and sound progress for success as a solid team.

<Middle East & Africa>

In the Middle East, sales declined from the previous fiscal year, particularly affected by sluggish demand in Turkey, the major market of the region. In October last year, Komatsu opened a new distribution base in Dubai and worked to reduce inventories of distributors and shorten delivery time. In Saudi Arabia with promising growth in demand, Komatsu signed a new distribution contact with a leading local company in December last year.

In Africa, sales increased from the previous fiscal year, supported by firm demand for equipment for use in gold mines in particular. Komatsu also continued to strengthen its sales and product support operations by implementing measures, including the opening of new parts depots, jointly with distributors in southern Africa, in order to improve its spare delivery parts operation. As part of its brand management activities, Komatsu made efforts jointly with a mining customer in South Africa to reduce the fuel consumption of machines owned by the customer by analyzing KOMTRAX information. As a result, net sales increased by 0.6% to ¥127,735 million (US\$1,359 million) from the previous fiscal year.

Industrial Machinery and Others

While sales of large presses to the automobile manufacturing industry, as well as machine tools for use in automotive engine production, increased from the previous fiscal year, sales of wire saws dropped sharply from the previous fiscal year. Additionally, extraordinary demand for temporary housing units came to an end. As a result, net sales of the industrial machinery and others business declined by 14.2% from the previous fiscal year, to ¥207,942 million (US\$2,212 million).

Komatsu concerted its efforts to develop new products with improved productivity, safety and environmental friendliness. In March this year, Komatsu embarked on sales of the H1F-2 AC Servo press and the PVS8525 Servo press brake, which followed the NTG-4SP grinding machine launched in November last year. With respect to the laser-cutting machine business, Komatsu

carried out organizational restructuring in April 1, 2013 by consolidating development, sales and service functions of Komatsu NTC Ltd. at Komatsu Industries Corp. in order to effectively use overlapping corporate resources.

(4) Cost of Sales, Selling, General and Administrative Expenses

Cost of sales decreased by 4.4% from the previous year to ¥1,377,459 million (US\$14,654 million) in the current year. Its ratio to net sales was 73.1% up 0.4 percentage points from the previous year mainly due to decreased sales volume which could not absorb certain fixed costs. Selling, general and administrative expenses (SG&A) increased by 4.0% from the previous year to ¥293,520 million (US\$3,123 million). Research and development (R&D) expenses, which are included in cost of sales and SG&A, increased by 10.8% from the previous year to ¥60,788 million (US\$647 million).

(5) Impairment Loss on Long-lived Assets

Impairment loss on long-lived assets decreased by ¥1,199 million to ¥1,907 million (US\$20 million) as compared to ¥3,106 million for the previous year, which primarily included impairment losses on property, plant and equipment.

(6) Other Operating Income (Expenses), net

Other operating expenses was ¥503 million (US\$5 million) as compared to other operating income of ¥786 million for the previous year. This was due primarily to decrease of gain resulting from sales of property, plant and equipment.

(7) Operating Income

Due to the reasons discussed above, operating income in the current year of ¥211,602 million (US\$2,251 million) decreased by ¥44,741 million as compared to ¥256,343 million in the previous year.

(8) Other Income (Expenses), net

Interest and dividend income in the current year of ¥4,277 million (US\$46 million) increased by ¥501 million as compared to ¥3,776 million in the previous year. Interest expense in the current year of ¥8,236 million (US\$88 million) increased by ¥452 million as compared to ¥7,784 million in the previous year.

(9) Income Before Income Taxes and Equity in Earnings of Affiliated Companies

As a result of the above factors, income before income taxes and equity in earnings of affiliated companies in the current year of ¥204,603 million (US\$2,177 million) decreased by ¥45,006 million as compared to ¥249,609 million in the previous year.

(10) Income Taxes

Income taxes in the current year of ¥69,089 million (US\$735 million) decreased by ¥5,381 million as compared to ¥74,470 million in the previous year. The actual effective tax rate in the

current year increased by 4.0 percentage points to 33.8% as compared to 29.8% in the previous year. The difference between the Japanese statutory tax rate of 38.1% and the actual effective tax rate of 33.8% was mainly caused by income of foreign subsidiaries taxed at a rate lower than the Japanese statutory tax rate.

(11) Equity in Earnings of Affiliated Companies

Equity in earnings of affiliated companies in the current year of ¥1,621 million (US\$17 million) increased from ¥1,609 million in the previous year.

(12) Net Income

Net income in the current year of ¥137,135 million (US\$1,459 million) decreased by ¥39,613 million as compared to ¥176,748 million in the previous year.

(13) Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests in the current year of ¥10,814 million (US\$115 million) increased by ¥1,107 million as compared to a ¥9,707 million in the previous year. This increase was mainly due to increased earnings recorded by Komatsu Marketing Support Australia Pty Ltd. and other subsidiaries with noncontrolling interest.

(14) Net Income Attributable to Komatsu Ltd.

Net income attributable to Komatsu Ltd. in the current year decreased by 24.4% to ¥126,321 million (US\$1,344 million) as compared to ¥167,041 million in the previous year. Accordingly, basic net income attributable to Komatsu Ltd. on a per share basis dropped to ¥132.64 in the current year as compared to

¥173.47 in the previous year. Diluted net income attributable to Komatsu Ltd. on a per share basis dropped to ¥132.51 in the current year as compared to ¥173.32 in the previous year.

(15) Segment Result

(Segment profit is determined by subtracting the cost of sales and selling, general and administrative expenses from net sales attributed to the operating segment)

Segment profit in the construction, mining and utility equipment segment decreased by ¥37,340 million from the previous year to ¥208,951 million (US\$2,223 million). This decrease was primarily due to decreased sales by reflecting a drastic decline in demand for construction equipment in China and a sharp drop in demand for mining equipment mainly in Indonesia, as adversely affected by the falling price of coal.

With regards to the industrial machinery and others segment, while sales of large presses to the automobile manufacturing industry, as well as machine tools for use in automotive engine production increased from the previous fiscal year, those of wire saws for use in slicing silicon ingots for the solar cell market sharply fell. As a result, the segment profit decreased by ¥10,557 million from the previous year to ¥6,222 million (US\$66 million).

Consequently, overall consolidated segment profit decreased by ¥44,651 million from the previous year to ¥214,012 million (US\$2,277 million).

Although consolidated segment profit is not a consolidated income statement measurement under U.S. GAAP, it is included (in annual report) because management considers it to be one of key management indices.

Liquidity and Capital Resources

(1) Funding and Liquidity Management

Komatsu's principal capital resources policy is to maintain sufficient capital resources to be able to respond promptly to future capital needs in connection with its operations and to maintain an appropriate level of liquidity. Consistent with this policy, Komatsu has secured various sources of funding, such as loans, corporate bonds, notes and lines of credit. Komatsu expects to use cash generated from its operations and funds procured through such external sources to satisfy future capital expenditures and working capital needs. In addition, in order to improve the efficiency and effectiveness of its cash management, Komatsu's overseas subsidiaries participate in a global cash pooling arrangement with a single financial institution, which is used to fund their liquidity needs. Participating overseas subsidiaries are allowed to withdraw cash from this financial institution based upon the aggregate cash deposits made to such financial institution. This arrangement contains specific provisions for the right to offset positive and negative cash balances on a global basis. Komatsu's consolidated Balance Sheet as of March 31, 2013 reflects cash net of withdrawals of ¥57,568 million (US\$612 million) in this global cash pooling arrangement.

Komatsu's short-term funding needs have been met mainly by cash flows from its operating activities, as well as by bank loans and the issuance of commercial paper. As of March 31, 2013, certain consolidated subsidiaries of the Company maintained committed credit line agreements totaling ¥49,997 million (US\$ 532 million) with financial institutions to secure liquidity. As of March 31, 2013, approximately ¥14,738 million (US\$ 157 million) was available to be used under such credit line agreements, which contain customary covenants. Komatsu is not subject to any covenants limiting its ability to incur additional indebtedness. In addition, the Company has a ¥150,000 million (US\$ 1,596 million) commercial paper program, ¥109,000 million (US\$ 1,160 million) of which was unused as of March 31, 2013.

To fulfill Komatsu's medium- to long-term funding needs, the Company has established a bond program as well as a Euro Medium Term Note ("EMTN") program. As discussed below, in addition to the Company, some of its subsidiaries may also issue EMTNs under the EMTN program. In November 2012, the Company's bond program was renewed such that it could issue up to ¥100,000 million (US\$ 1,064 million) of variable-term bonds within a two-year period. Under this renewed program, the Company has issued ¥30,000 million (US\$ 319 million) of bonds as of March 31, 2013 and ¥70,000 million (US\$ 745 million) remains unused. As of March 31, 2013, the Company also has ¥120,000 million (US\$ 1,277 million) aggregate principal amount of bonds outstanding, of which includes the outstanding issued under the bond program prior to its 2012 renewal. As for EMTNs, the Company, Komatsu Finance America Inc.

and Komatsu Capital Europe S.A. have established a US\$1.2 billion EMTN program. Any of these three issuer entities can issue notes in various currencies under the EMTN program. The principal amount of notes outstanding as of March 31, 2013 under the EMTN program was ¥80,734 million (US\$ 859 million).

Komatsu's short-term debt as of March 31, 2013, which primarily consisted of bank loans decreased by ¥10,668 million to ¥205,156 million (US\$ 2,183 million) from March 31, 2012. Such short-term debt was used as working capital.

Komatsu's long-term debt, including the debt with maturity dates on or before March 31, 2014, increased by ¥42,631 million to ¥474,607 million (US\$ 5,049 million) in the fiscal year ended March 31, 2013 as compared to the fiscal year ended March 31, 2012. As of March 31, 2013, Komatsu's long-term debt, excluding market value adjustment, consisted of (1) ¥263,897 million in loans from banks, insurance companies and other financial institutions, (2) ¥120,000 million in unsecured bonds, (3) ¥80,734 million in EMTNs and (4) ¥9,976 million in capital lease obligations. Such long-term debt was used primarily for capital expenditures and long-term working capital needs.

As a result, Komatsu's interest-bearing debt as of March 31, 2013, including its capital lease obligations, increased by ¥31,963 million to ¥679,763 million (US\$ 7,232 million) as compared to March 31, 2012. Net interest-bearing debt after deducting cash and deposits also increased by ¥22,112 million to ¥585,926 million (US\$ 6,233 million) in the fiscal year ended March 31, 2013. As a result, Komatsu's net debt-to-equity ratio as of March 31, 2013 was 0.49, compared to 0.56 as of March 31, 2012.

As of March 31, 2013, current assets increased by ¥91,684 million to ¥1,492,056 million (US\$15,873 million), while current liability decreased by ¥36,134 million to ¥827,576 million (US\$8,804 million). As a result, the current ratio, which is calculated by dividing current assets by current liabilities, as of March 31, 2013, was 180.3%, which reflected an increase of 18.2 percentage points from the previous year.

Based on anticipated cash flows from its operating activities, the available sources of funds and the level of its current ratio, Komatsu believes that it has sufficient means to satisfy its liquidity needs and future obligations.

As of March 31, 2013, Komatsu's total cash and cash equivalents was ¥93,620 million (US\$ 996 million). Out of total cash and cash equivalents, ¥71,683 million was held outside of Japan in various overseas subsidiaries as of March 31, 2013. Under current tax laws and regulations, if cash and cash equivalents associated with the overseas subsidiaries' undistributed earnings were to be repatriated in the form of dividends or deemed distributions to Komatsu, Komatsu would be subject to additional Japanese income taxes and foreign withholding taxes in certain

countries. However, Komatsu sets aside a part of its cash and cash equivalents in order to invest in its overseas operations. As of March 31, 2013, Komatsu plans to re-invest approximately half of its total cash and cash equivalent held outside of Japan in its overseas operations.

The Company obtains credit ratings from three rating agencies; Standard and Poor's Ratings Services ("S&P"), Moody's Investors Services, Inc. ("Moody's") and Rating and Investment Information, Inc. ("R&I"). As of March 31, 2013, the Company's issuer ratings were as follows :

S&P : A (long-term)

Moody's : A2 (long-term)

R&I : AA- (long-term), a-1+(short-term)

* Net debt-to-equity ratio = (Interest-bearing debt – Cash and cash equivalents – Time deposits) / Komatsu Ltd. shareholders' equity

(2) Cash Flows

Net cash provided by operating activities totaled ¥214,045 million (US\$2,277 million), an increase of ¥108,437 million from ¥105,608 million for the previous fiscal year, mainly reflecting decreased inventories. Net cash used in investing activities amounted to ¥131,397 million (US\$1,398 million), compared

to ¥124,539 million used in investing activities for the previous fiscal year. This increase is mainly due to the purchase of fixed assets as well as shares of subsidiaries. Net cash used in financing activities totaled ¥71,814 million (US\$764 million), mainly due to the payment of cash dividends and repayment of debt. For the previous fiscal year, net cash of ¥18,781 million was provided by financing activities. After adding the effects of foreign exchange fluctuations, cash and cash equivalents, as of March 31, 2013, totaled ¥93,620 million (US\$996 million), an increase of ¥10,541 million from the previous fiscal year-end.

(3) Capital Investment

In the construction, mining and utility equipment business, Komatsu invested for expanding its production capacity in response to a demand increase in the future for its equipment, and to strengthen its sales and service operations in the Strategic Markets. In the Industrial Machinery and Others operating segment, Komatsu made capital investments to renovate its production facilities.

As a result, Komatsu's capital investment, on a consolidated basis, for the fiscal year ended March 31, 2013 was ¥136,962 million (US\$1,457 million), an increase of ¥14,924 million from the previous fiscal year.

Business Risks

Komatsu is engaged in business on a global scale with development, production, sales and other bases established around the world. Komatsu has identified the following as its primary risks based on information currently available.

(1) Economic and market conditions

The business environment in which Komatsu operates and the market demand for its products may change substantially as a result of economic and market conditions, which differ from region to region.

In economically developed countries in which Komatsu operates, Komatsu's business is generally affected by cyclical changes in the economies of such regions. Therefore, factors which are beyond Komatsu's control, such as levels of housing starts, industrial production, public investments in infrastructure development and private-sector capital outlays, may affect demand for Komatsu's products.

In newly developing countries in which Komatsu operates, Komatsu constantly pays careful attention to the changes in demand for its products. However, these economies are impacted by a number of unstable factors, such as commodity prices and considerable reliance on exports to economically developed regions and thus, changes in these factors could adversely affect Komatsu's business results.

Furthermore, when economic and/or market conditions change more drastically than forecasted, Komatsu may also experience, among other things, fewer orders of its products, an increase in cancellation of orders by customers and a delay in the collection of receivables.

These changes in the economic and market conditions and the business environment in which Komatsu operates may lead to a decline in sales, and inefficient inventory levels and/or production capacities, thereby causing Komatsu to record lower profitability and incur additional expenses and losses. As a result, Komatsu's results of operations may be adversely affected.

(2) Foreign currency exchange rate fluctuations

A substantial portion of Komatsu's overseas sales is affected by foreign currency exchange rate fluctuations. In general, an appreciation of the Japanese yen against another currency would adversely affect Komatsu's results of operations, while a depreciation of the Japanese yen against another currency would have a favorable impact thereon. In addition, foreign currency exchange rate fluctuations may also affect the comparative prices between products sold by Komatsu and products sold by its foreign competitors in the same market, as well as the cost of materials used in the production of such products. Komatsu strives to alleviate the effect of such foreign currency exchange rate fluctuations by locating its production bases globally and

engaging in production locally. Komatsu also engages in hedging activities to minimize the effects of short-term foreign currency exchange rate fluctuations. Despite Komatsu's efforts, if the foreign currency exchange rates fluctuate beyond Komatsu's projected fluctuation range, Komatsu's results of operations may be adversely affected.

(3) Fluctuations in financial markets

While Komatsu is currently working to improve the efficiency of its assets by reducing its interest-bearing debt, its aggregate short- and long-term interest-bearing debt was approximately ¥680 billion as of March 31, 2013. Although Komatsu has strived to reduce the effect of interest rate fluctuations using various measures, including procuring funds at fixed interest rates, an increase in interest rates may increase Komatsu's interest expenses and thereby adversely affect Komatsu's results of operations. In addition, fluctuations in the financial markets, such as fluctuations in the fair value of marketable securities and interest rates, may also increase the unfunded obligation portion of Komatsu's pension plans or pension liabilities, which may result in an increase in pension expenses. Such an increase in interest expenses and pension expenses may adversely affect Komatsu's results of operations and financial condition.

(4) Laws and regulations of different countries

Komatsu is subject to governmental regulations and approval procedures in the countries in which it operates. If the government of a given country were to introduce new laws and regulations or revise existing laws and regulations relating to customs duties, currency restrictions and other legal requirements, Komatsu may incur expenses in order to comply with such laws and regulations or its development, production, sales and service operations may be affected adversely by them. With respect to transfer pricing between Komatsu and its affiliated companies, Komatsu is careful to comply with applicable taxation laws of Japan and the concerned foreign governments. Nevertheless, it is possible that Komatsu may be viewed by the concerned tax authorities as having used inappropriate pricing. Furthermore, if intergovernmental negotiations were to fail, Komatsu may be charged with double or additional taxation. When facing such an unexpected situation, Komatsu may experience an unfavorable impact on its business results.

(5) Environmental laws and regulations

Komatsu's products and business operations are required to meet increasingly stringent environmental laws and regulations in the numerous countries in which Komatsu operates. To this end, Komatsu expends a significant share of its management resources, such as research and development expenses, to comply with environmental and other related regulations. If Komatsu

is required to incur additional expenses and make additional capital investments due to revised environmental regulations adopted in the future, or if its development, production, sales and service operations are adversely affected by such revised regulations, Komatsu may experience an unfavorable impact on its business results.

(6) Product and quality liability

While Komatsu endeavors to sustain and improve the quality and reliability of its operations and products based on stringent standards established internally, Komatsu may face product and quality liability claims or become exposed to other liabilities if unexpected defects in its products result in recalls or accidents. If the costs for addressing such claims or other liabilities are not covered by Komatsu's existing insurance policies or other protective means, such claims may adversely affect its financial condition.

(7) Alliances and collaborative relationships

Komatsu has entered into various alliances and collaborative relationships with distributors, suppliers and other companies in its industry to reinforce its international competitiveness. Through such arrangements, Komatsu is working to improve its product development, production, sales and service capabilities. While Komatsu expects its alliances and collaborative relationships to be successful, Komatsu's failure to attain expected results or the termination of such alliances or collaborative relationships may adversely affect Komatsu's results of operations.

(8) Procurement, production and other matters

Komatsu's procurement of parts and materials for its products is exposed to fluctuations in commodity and energy prices. Price increases in commodities, such as steel materials, as well as energies, such as crude oil and electricity, may increase the production cost of Komatsu's products. In addition, a shortage of product parts and materials, bankruptcies of suppliers or production discontinuation by suppliers of products used by Komatsu may make it difficult for Komatsu to engage in the timely procurement of parts and materials and manufacture of its products, thereby lowering Komatsu's production efficiency. With respect to an increase in the cost of production as mainly affected by an increase in the cost of materials, Komatsu mainly strives to reduce other costs and make price adjustments of its products. Komatsu also strives to minimize the effects of possible procurement or manufacturing issues by securing new suppliers or promoting closer collaboration among its related business divisions. However, if the increase in commodity and

energy prices were to exceed Komatsu's expectations or a prolonged shortage of materials and parts were to occur, Komatsu's results of operations may be adversely affected.

(9) Information security, intellectual property and other matters

Komatsu may obtain confidential information concerning its customers and individuals in the normal course of its business. Komatsu also holds confidential business and technological information. Komatsu safeguards such confidential information with the utmost care. To forestall unauthorized access by means of cyber-attacks, tampering, destruction, leakage and losses, Komatsu employs appropriate safety measures, including implementing technological safety measures and strengthening its information management capabilities. However, when its network and information systems crash and/or problems, such as a leak of confidential information concerning customers and individuals, occur, Komatsu may become liable for damages, or its reputation or its customers' confidence in Komatsu may be adversely affected. In addition, if Komatsu's confidential business and technological information were leaked or misused by a third party, or Komatsu's intellectual properties were infringed upon by a third party, or Komatsu were held liable for infringing on a third party's intellectual property rights, Komatsu's business results may be adversely affected.

(10) Natural calamities, wars, terrorism, accidents and other matters

If natural disasters (such as earthquakes, tsunamis and floods), epidemics, radioactive contamination, wars, terrorist acts, riots, accidents (such as fires and explosions), unforeseeable criticism or interference by third parties or computer virus infections were to occur in the regions in which Komatsu operates, Komatsu may incur extensive damage to one or more of its facilities that then could not become fully operational within a short period of time. Even if Komatsu's operations were not directly harmed by such events, confusion in logistic and supply networks, shortages in the supply of electric power, gas and other utilities, telecommunication problems and/or problems of supplier's production may continue for a long period of time. Accordingly, if delays or disruption in the procurement of materials and parts, or the production and sales of Komatsu's products and services, or deterioration of the capital-raising environment or other adverse developments were to take place as a result of such events, Komatsu's business results may be adversely affected.

Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen (except per share amounts)	
	2013	2012
For the fiscal period		
Net sales	¥1,884,991	¥1,981,763
Cost of sales	1,377,459	1,440,765
Operating income	211,602	256,343
Income before income taxes and equity in earnings of affiliated companies	204,603	249,609
Net income attributable to Komatsu Ltd.	126,321	167,041
As percentage of sales	6.7%	8.4%
Capital investment	136,962	122,038
At fiscal period-end		
Total assets	¥2,517,857	¥2,320,529
Working capital	664,480	536,662
Property, plant and equipment	585,220	529,656
Long-term debt—less current maturities	343,814	312,519
Komatsu Ltd. shareholders' equity	1,193,194	1,009,696
As percentage of total assets	47.4%	43.5%
Per share data		
Net income attributable to Komatsu Ltd. per share:		
Basic	¥ 132.64	¥ 173.47
Diluted	132.51	173.32
Cash dividends per share*	45.00	41.00
Komatsu Ltd. shareholders' equity per share	1,252.33	1,060.31
*Cash dividends per share provided above are based on dividends paid each fiscal year.		
	Yen per U.S. dollar	
	2013	2012
Other information		
Exchange rate into U.S. dollars (per the Federal Reserve Bank of New York): At fiscal period-end	¥94	¥82

Five-Year Summary

Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31

Millions of yen
(except per share amounts)

2011	2010	2009
¥1,843,127	¥1,431,564	¥2,021,743
1,343,464	1,101,559	1,510,408
222,929	67,035	151,948
219,809	64,979	128,782
150,752	33,559	78,797
8.2%	2.3%	3.9%
97,738	96,191	162,512
¥2,149,137	¥1,959,055	¥1,969,059
444,384	398,375	370,952
508,387	525,100	525,462
291,152	356,985	292,106
923,843	833,975	814,941
43.0%	42.6%	41.4%
¥ 155.77	¥ 34.67	¥ 79.95
155.66	34.65	79.89
26.00	26.00	44.00
954.48	861.51	842.04
Yen per U.S. dollar		
2011	2010	2009
¥83	¥93	¥99

Consolidated Balance Sheets

Komatsu Ltd. and Consolidated Subsidiaries
March 31, 2013 and 2012

Assets	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current assets			
Cash and cash equivalents	¥ 93,620	¥ 83,079	\$ 995,957
Time deposits	217	907	2,308
Trade notes and accounts receivable	606,904	559,749	6,456,426
Inventories	633,647	612,359	6,740,926
Deferred income taxes and other current assets	157,668	144,278	1,677,319
Total current assets	1,492,056	1,400,372	15,872,936
Long-term trade receivables	235,825	184,294	2,508,777
Investments			
Investments in and advances to affiliated companies	19,404	20,565	206,426
Investment securities	59,279	54,192	630,628
Other	2,574	2,582	27,382
Total investments	81,257	77,339	864,436
Property, plant and equipment —less accumulated depreciation and amortization	585,220	529,656	6,225,745
Goodwill	34,703	31,229	369,181
Other intangible assets —less accumulated amortization	58,523	57,953	622,585
Deferred income taxes and other assets	30,273	39,686	322,053
	¥2,517,857	¥2,320,529	\$26,785,713

Komatsu Ltd. and Consolidated Subsidiaries
March 31, 2013 and 2012

Liabilities and Equity	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current liabilities			
Short-term debt	¥ 205,156	¥ 215,824	\$ 2,182,511
Current maturities of long-term debt	130,793	119,457	1,391,415
Trade notes, bills and accounts payable	226,275	273,460	2,407,180
Income taxes payable	33,227	23,195	353,479
Deferred income taxes and other current liabilities	232,125	231,774	2,469,415
Total current liabilities	827,576	863,710	8,804,000
Long-term liabilities			
Long-term debt	343,814	312,519	3,657,596
Liability for pension and retirement benefits	49,912	50,685	530,978
Deferred income taxes and other liabilities	43,860	36,158	466,596
Total long-term liabilities	437,586	399,362	4,655,170
Total liabilities	1,265,162	1,263,072	13,459,170
Commitments and contingent liabilities			
Equity			
Komatsu Ltd. shareholders' equity			
Common stock:			
Authorized 3,955,000,000 shares			
Issued 983,130,260 shares			
Outstanding 952,778,859 shares in 2013 and 952,261,022 shares in 2012	67,870	67,870	722,021
Capital surplus	138,818	138,384	1,476,787
Retained earnings:			
Appropriated for legal reserve	38,230	37,954	406,702
Unappropriated	1,034,504	951,395	11,005,362
Accumulated other comprehensive loss	(43,440)	(142,389)	(462,128)
Treasury stock at cost, 30,351,401 shares in 2013 and 30,869,238 shares in 2012	(42,788)	(43,518)	(455,191)
Total Komatsu Ltd. shareholders' equity	1,193,194	1,009,696	12,693,553
Noncontrolling interests	59,501	47,761	632,990
Total equity	1,252,695	1,057,457	13,326,543
	¥2,517,857	¥2,320,529	\$26,785,713

Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013, 2012 and 2011

Consolidated Statements of Income

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Net sales	¥1,884,991	¥1,981,763	¥1,843,127	\$20,053,096
Cost of sales	1,377,459	1,440,765	1,343,464	14,653,820
Selling, general and administrative expenses	293,520	282,335	264,691	3,122,553
Impairment loss on long-lived assets	1,907	3,106	5,142	20,287
Other operating income (expenses), net	(503)	786	(6,901)	(5,351)
Operating income	211,602	256,343	222,929	2,251,085
Other expenses, net				
Interest and dividend income	4,277	3,776	4,493	45,500
Interest expense	(8,236)	(7,784)	(6,475)	(87,617)
Other, net	(3,040)	(2,726)	(1,138)	(32,340)
Total	(6,999)	(6,734)	(3,120)	(74,457)
Income before income taxes and equity in earnings of affiliated companies	204,603	249,609	219,809	2,176,628
Income taxes				
Current	74,628	66,420	57,923	793,915
Deferred	(5,539)	8,050	6,783	(58,926)
Total	69,089	74,470	64,706	734,989
Income before equity in earnings of affiliated companies	135,514	175,139	155,103	1,441,639
Equity in earnings of affiliated companies	1,621	1,609	2,724	17,244
Net income	137,135	176,748	157,827	1,458,883
Less : Net income attributable to noncontrolling interests	10,814	9,707	7,075	115,043
Net income attributable to Komatsu Ltd.	¥ 126,321	¥ 167,041	¥ 150,752	\$ 1,343,840

Per share data:	Yen			U.S. dollars
Net income attributable to Komatsu Ltd.:				
Basic	¥ 132.64	¥ 173.47	¥ 155.77	\$ 1.41
Diluted	132.51	173.32	155.66	1.41
Cash dividends per share	¥ 45.00	¥ 41.00	¥ 26.00	\$ 0.48

Consolidated Statements of Comprehensive Income

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Net income	¥ 137,135	¥ 176,748	¥ 157,827	\$ 1,458,883
Other comprehensive income (loss), for the period, net of tax				
Foreign currency translation adjustments	99,195	(8,952)	(39,529)	1,055,266
Net unrealized holding gains on securities available for sale	4,690	725	1,978	49,894
Pension liability adjustments	1,440	(1,943)	(91)	15,319
Net unrealized holding gains (losses) on derivative instruments	555	(1,506)	(26)	5,904
Total other comprehensive income (loss), for the period, net of tax	105,880	(11,676)	(37,668)	1,126,383
Comprehensive income	243,015	165,072	120,159	2,585,266
Less: Comprehensive income attributable to noncontrolling interests	17,745	9,395	4,839	188,777
Comprehensive income attributable to Komatsu Ltd.	¥ 225,270	¥ 155,677	¥ 115,320	\$ 2,396,489

Consolidated Statements of Equity

Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013, 2012 and 2011

	Millions of yen								
	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive loss	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
			Appropriated for legal reserve	Unappropriated					
Balance at March 31, 2010	¥67,870	¥140,421	¥31,983	¥ 724,090	¥ (95,634)	¥(34,755)	¥ 833,975	¥42,824	¥ 876,799
Cash dividends				(25,178)			(25,178)	(994)	(26,172)
Transfer to retained earnings appropriated for legal reserve			2,511	(2,511)			-	-	-
Other changes		(51)			7		(44)	2,168	2,124
Comprehensive income (loss)									
Net income				150,752			150,752	7,075	157,827
Other comprehensive income (loss), for the period, net of tax									
Foreign currency translation adjustments					(37,237)		(37,237)	(2,292)	(39,529)
Net unrealized holding gains on securities available for sale					1,978		1,978	-	1,978
Pension liability adjustments					(91)		(91)	-	(91)
Net unrealized holding gains (losses) on derivative instruments					(82)		(82)	56	(26)
Comprehensive income							115,320	4,839	120,159
Issuance and exercise of stock acquisition rights		109					109		109
Purchase of treasury stock						(583)	(583)		(583)
Sales of treasury stock		44				200	244		244
Balance at March 31, 2011	¥67,870	¥140,523	¥34,494	¥ 847,153	¥(131,059)	¥(35,138)	¥ 923,843	¥48,837	¥ 972,680
Cash dividends				(39,701)			(39,701)	(6,447)	(46,148)
Transfer to retained earnings appropriated for legal reserve			3,460	(3,460)			-	-	-
Other changes		(245)			34		(211)	(4,024)	(4,235)
Comprehensive income (loss)									
Net income				167,041			167,041	9,707	176,748
Other comprehensive income (loss), for the period, net of tax									
Foreign currency translation adjustments					(8,759)		(8,759)	(193)	(8,952)
Net unrealized holding gains on securities available for sale					725		725	-	725
Pension liability adjustments					(1,930)		(1,930)	(13)	(1,943)
Net unrealized holding gains (losses) on derivative instruments					(1,400)		(1,400)	(106)	(1,506)
Comprehensive income							155,677	9,395	165,072
Issuance and exercise of stock acquisition rights		699					699		699
Purchase of treasury stock						(31,118)	(31,118)		(31,118)
Sales of treasury stock		(13)				520	507		507
Retirement of treasury stock		(2,580)		(19,638)		22,218	-		-
Balance at March 31, 2012	¥67,870	¥138,384	¥37,954	¥ 951,395	¥(142,389)	¥(43,518)	¥1,009,696	¥47,761	¥1,057,457
Cash dividends				(42,877)			(42,877)	(5,958)	(48,835)
Transfer to retained earnings appropriated for legal reserve			276	(276)			-	-	-
Other changes							-	(47)	(47)
Comprehensive income (loss)									
Net income				126,321			126,321	10,814	137,135
Other comprehensive income (loss), for the period, net of tax									
Foreign currency translation adjustments					92,176		92,176	7,019	99,195
Net unrealized holding gains on securities available for sale					4,690		4,690	-	4,690
Pension liability adjustments					1,503		1,503	(63)	1,440
Net unrealized holding gains (losses) on derivative instruments					580		580	(25)	555
Comprehensive income							225,270	17,745	243,015
Issuance and exercise of stock acquisition rights		434					434		434
Purchase of treasury stock						(32)	(32)		(32)
Sales of treasury stock				(59)		762	703		703
Balance at March 31, 2013	¥67,870	¥138,818	¥38,230	¥1,034,504	¥ (43,440)	¥(42,788)	¥1,193,194	¥59,501	¥1,252,695

	Thousands of U.S. dollars								
	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive loss	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
			Appropriated for legal reserve	Unappropriated					
Balance at March 31, 2012	\$722,021	\$1,472,170	\$403,766	\$10,121,223	\$(1,514,777)	\$(462,957)	\$10,741,446	\$508,096	\$11,249,542
Cash dividends				(456,138)			(456,138)	(63,383)	(519,521)
Transfer to retained earnings appropriated for legal reserve			2,936	(2,936)			-	-	-
Other changes							-	(500)	(500)
Comprehensive income (loss)									
Net income				1,343,840			1,343,840	115,043	1,458,883
Other comprehensive income (loss), for the period, net of tax									
Foreign currency translation adjustments					980,596		980,596	74,670	1,055,266
Net unrealized holding gains on securities available for sale					49,894		49,894	-	49,894
Pension liability adjustments					15,989		15,989	(670)	15,319
Net unrealized holding gains (losses) on derivative instruments					6,170		6,170	(266)	5,904
Comprehensive income							2,396,489	188,777	2,585,266
Issuance and exercise of stock acquisition rights		4,617					4,617		4,617
Purchase of treasury stock						(340)	(340)		(340)
Sales of treasury stock				(627)		8,106	7,479		7,479
Balance at March 31, 2013	\$722,021	\$1,476,787	\$406,702	\$11,005,362	\$ (462,128)	\$(455,191)	\$12,693,553	\$632,990	\$13,326,543

Consolidated Statements of Cash Flows

KOMATSU REPORT 2013
Financial Section

Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Operating activities				
Net income	¥ 137,135	¥ 176,748	¥ 157,827	\$ 1,458,883
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	89,322	90,106	89,467	950,234
Deferred income taxes	(5,539)	8,050	6,783	(58,926)
Impairment loss and net loss (gain) from sale of investment securities	3,058	2,516	54	32,532
Net gain on sale of property	(567)	(915)	(2,807)	(6,032)
Loss on disposal of fixed assets	1,867	2,108	1,928	19,862
Impairment loss on long-lived assets	1,907	3,106	5,142	20,287
Pension and retirement benefits, net	(979)	1,536	(3,795)	(10,415)
Changes in assets and liabilities:				
Decrease (increase) in trade receivables	(21,656)	(21,862)	(147,477)	(230,383)
Decrease (increase) in inventories	42,040	(137,354)	(97,790)	447,234
Increase (decrease) in trade payables	(54,347)	(38,207)	101,595	(578,159)
Increase (decrease) in income taxes payable	9,407	(15,185)	17,876	100,074
Other, net	12,397	34,961	21,599	131,883
Net cash provided by operating activities	214,045	105,608	150,402	2,277,074
Investing activities				
Capital expenditures	(142,992)	(126,090)	(100,820)	(1,521,191)
Proceeds from sale of property	11,436	8,364	9,605	121,659
Proceeds from sale of available for sale investment securities	3,766	1,757	2,132	40,064
Purchases of available for sale investment securities	(11)	(1,457)	(1,379)	(117)
Acquisition of subsidiaries and equity investees, net of cash acquired	(5,051)	(8,649)	976	(53,734)
Collection of loan receivables	706	2,101	1,926	7,511
Disbursement of loan receivables	(50)	(440)	(1,236)	(532)
Decrease (increase) in time deposits, net	799	(125)	287	8,500
Net cash used in investing activities	(131,397)	(124,539)	(88,509)	(1,397,840)
Financing activities				
Proceeds from debt issued (Original maturities greater than three months)	292,013	352,731	148,147	3,106,521
Payment on debt (Original maturities greater than three months)	(392,647)	(260,212)	133,800	(4,177,096)
Short-term debt - net (Original maturities three months or less)	84,823	54,405	(20,015)	902,372
Repayments of capital lease obligations	(6,591)	(45,271)	(28,637)	(70,117)
Sale (purchase) of treasury stock, net	38	(30,680)	175	404
Dividends paid	(42,877)	(39,701)	(25,178)	(456,138)
Other, net	(6,573)	(12,491)	2,943	(69,925)
Net cash provided by (used in) financing activities	(71,814)	18,781	(56,365)	(763,979)
Effect of exchange rate change on cash and cash equivalents	(293)	(995)	(3,733)	(3,117)
Net increase (decrease) in cash and cash equivalents	10,541	(1,145)	1,795	112,138
Cash and cash equivalents, beginning of year	83,079	84,224	82,429	883,819
Cash and cash equivalents, end of year	¥ 93,620	¥ 83,079	¥ 84,224	\$ 995,957

Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31

Operating segments:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Net sales:				
Construction, Mining and Utility Equipment— External customers	¥1,677,049	¥1,739,348	¥1,615,689	\$17,840,947
Intersegment	2,530	4,925	2,392	26,915
Total	1,679,579	1,744,273	1,618,081	17,867,862
Industrial Machinery and Others— External customers	207,942	242,415	227,438	2,212,149
Intersegment	8,349	8,724	10,916	88,819
Total	216,291	251,139	238,354	2,300,968
Elimination	(10,879)	(13,649)	(13,308)	(115,734)
Consolidated	¥1,884,991	¥1,981,763	¥1,843,127	\$20,053,096
Segment profit:				
Construction, Mining and Utility Equipment	¥ 208,951	¥ 246,291	¥ 220,830	\$ 2,222,883
Industrial Machinery and Others	6,222	16,779	20,965	66,191
Total segment profit	215,173	263,070	241,795	2,289,074
Corporate expenses and elimination	(1,161)	(4,407)	(6,823)	(12,351)
Total	¥ 214,012	¥ 258,663	¥ 234,972	\$ 2,276,723
Segment assets:				
Construction, Mining and Utility Equipment	¥2,195,232	¥1,965,406	¥1,859,004	\$23,353,532
Industrial Machinery and Others	282,342	278,232	270,736	3,003,638
Corporate assets and elimination	40,283	76,891	19,397	428,543
Consolidated	¥2,517,857	¥2,320,529	¥2,149,137	\$26,785,713
Depreciation and amortization:				
Construction, Mining and Utility Equipment	¥ 78,589	¥ 80,521	¥ 80,780	\$ 836,053
Industrial Machinery and Others	9,416	8,494	7,662	100,170
Consolidated	¥ 88,005	¥ 89,015	¥ 88,442	\$ 936,223
Capital investment:				
Construction, Mining and Utility Equipment	¥ 127,706	¥ 115,518	¥ 92,049	\$ 1,358,575
Industrial Machinery and Others	9,256	6,520	5,689	98,468
Consolidated	¥ 136,962	¥ 122,038	¥ 97,738	\$ 1,457,043

Business categories and principal products and services included in each operating segment are as follows:

a) Construction, Mining and Utility Equipment

Excavating equipment, loading equipment, grading and roadbed preparation equipment, hauling equipment, forestry equipment, tunneling machines, recycling equipment, industrial vehicles, other equipment, engines and components, casting products and logistics

b) Industrial Machinery and Others

Metal forging and stamping presses, sheet-metal machines, machine tools, defense systems, temperature-control equipment and others

Transfers between segments are made at estimated arm's length prices.

Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31

Geographic information:

Net sales determined by customer location

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Japan	¥ 380,024	¥ 402,505	¥ 349,184	\$ 4,042,808
The Americas	561,962	460,814	397,427	5,978,319
Europe and CIS	203,878	207,848	165,418	2,168,915
China	156,030	270,017	428,208	1,659,894
Asia (excluding Japan and China) and Oceania	454,394	513,575	398,366	4,833,979
Middle East and Africa	128,703	127,004	104,524	1,369,181
Consolidated net sales	¥1,884,991	¥1,981,763	¥1,843,127	\$20,053,096

Property, plant and equipment determined based on physical location

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Japan	¥ 367,610	¥ 356,424	\$ 3,910,745
U.S.A.	85,499	67,350	909,564
Europe and CIS	32,015	29,483	340,585
Others	100,096	76,399	1,064,851
Total	¥ 585,220	¥ 529,656	\$ 6,225,745

(As of March 31, 2013)

Company	Subscribed capital in millions (except for* in thousands)	Participation (%)
Komatsu Ltd.	¥67,870	—

Consolidated Subsidiaries

Komatsu Construction Equipment Sales and Service Japan Ltd.	¥950	100.0
Komatsu Forklift Japan Ltd.	¥500	100.0
Komatsu Rental Ltd.	¥100	100.0
Komatsu Used Equipment Corp.	¥290	(4.5) 100.0
Komatsu Castex Ltd.	¥6,979	100.0
Komatsu Diesel Co.,Ltd.	¥50	100.0
Komatsu Cabtec Co.,Ltd.	¥300	100.0
Komatsu Logistics Corp.	¥1,080	100.0
Komatsu Business Support Ltd.	¥1,770	100.0
Komatsu Industries Corporation	¥990	100.0
Komatsu NTC Ltd.	¥6,014	100.0
Komatsu House Ltd.	¥1,436	(1.8) 100.0
Komatsu General Services Ltd.	¥160	100.0
Gigaphoton,Inc.	¥5,000	100.0
Komatsu America Corp. (KAC)	US\$1,071	100.0
Komatsu Finance America Inc. (KFA)	US\$140	(100.0) 100.0
Komatsu do Brasil Ltda. (KDB)	BRL73	(100.0) 100.0
Komatsu Brasil International Ltda. (KBI)	BRL27	(100.0) 100.0
Komatsu Holding South America Ltda. (KHSA)	US\$100*	(100.0) 100.0
Komatsu Cummins Chile Ltda. (KCC)	US\$34	(81.8) 81.8
Komatsu Cummins Chile Arrienda S.A.(KCCA)	US\$43	(100.0) 100.0
Komatsu Equipment Company (KEC)	US\$1	(100.0) 100.0
Modular Mining Systems,Inc. (MMS)	US\$16*	(100.0) 100.0
Hensley Industries, Inc.	US\$2*	(100.0) 100.0
Komatsu Financial Limited Partnership (KFLP)	—	(100.0) 100.0
Komatsu Europe International N.V. (KEISA)	Euro50	100.0
Komatsu Europe Coordination Center N.V. (KECC)	Euro141	(100.0) 100.0
Komatsu Capital Europe S.A. (KCE)	Euro1	(100.0) 100.0
Komatsu UK Ltd. (KUK)	£23	(100.0) 100.0
Komatsu Hanomag GmbH (KOHAG)	Euro19	(49.3) 100.0
Komatsu Mining Germany GmbH (KMG)	Euro5	(100.0) 100.0
Komatsu France S.A.S. (KFSA)	Euro5	(100.0) 100.0
Komatsu Utility Europe S.p.A. (KUE)	Euro6	(100.0) 100.0
Komatsu Forest AB (KFAB)	SKR397	100.0
Komatsu CIS LLC (KCIS)	RUB5,301	100.0
Komatsu Manufacturing Rus LLC (KMR)	RUB4,273	(94.2) 94.2
Komatsu Financial Europe N.V. (KFE)	Euro40	(100.0) 100.0
Komatsu (China) Ltd. (KC)	US\$135	100.0
Komatsu (Changzhou) Construction Machinery Corp. (KCCM)	US\$41	(10.0) 85.0
Komatsu Shantui Construction Machinery Co.,Ltd. (KSC)	US\$21	(30.0) 60.0
Komatsu Undercarriage China Corp. (KUCC)	¥4,800	(75.0) 75.0
Komatsu (Shandong) Construction Machinery Corp. (KSD)	US\$188	(100.0) 100.0
Komatsu Financial Leasing China Ltd. (KFLC)	RMB1,630	(100.0) 100.0

Company	Subscribed capital in millions (except for* in thousands)	Participation (%)
PT Komatsu Indonesia (KI)	RP192,780	94.9
PT Komatsu Marketing & Support Indonesia (KMSI)	US\$5	(100.0) 100.0
PT Komatsu Undercarriage Indonesia (KUI)	US\$15	(84.3) 84.3
PT Komatsu Remanufacturing Asia (KRA)	US\$1	(51.0) 51.0
Bangkok Komatsu Co.,Ltd. (BKC)	BHT620	(74.8) 74.8
Komatsu Bangkok Leasing Co., Ltd.(KBL)	BHT550	(60.0) 60.0
Komatsu Asia & Pacific Pte Ltd. (KAP)	S\$28	100.0
Komatsu India Private Limited (KIPL)	Rp4,645	(100.0) 100.0
Komatsu Marketing Support Australia Pty.Ltd. (KMSA)	A\$21	(40.0) 60.0
Komatsu Australia Pty.Ltd. (KAL)	A\$30	(100.0) 100.0
Komatsu Australia Corporate Finance Pty. Ltd. (KACF)	A\$49	(60.0) 60.0
Komatsu Southern Africa (Pty) Ltd. (KSAf)	ZAR1*	80.0

Company	Subscribed capital in millions	Participation (%)
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Affiliated Companies Accounted for by the Equity Method

Komatsu Saitama Ltd.	¥635	(40.0) 40.0
Sanuki Lease Ltd.	¥90	(35.0) 35.0
Komatsu Cummins Engine Co.,Ltd. (KCEC)	¥1,400	50.0
Qualica Inc.	¥1,234	20.0
Cummins Komatsu Engine Company (CKEC)	-	(50.0) 50.0
PT Komatsu Astra Finance	US\$54	(50.0) 50.0

- Notes: 1. In addition to the above list, there are 91 consolidated subsidiaries.
 2. Similarly, there are 29 additional affiliated companies accounted for by the equity method.
 3. Participation represents the percentage of voting stock concerning consolidated subsidiaries. The figures contained in parentheses represent the percentage of indirect ownership by other Komatsu Group companies and are included in the overall participation percentage.
 4. Komatsu Financial Limited Partnership is a limited partnership in compliance with the regulations of the U.S. state of Delaware. Net assets equivalent of common stock in the company totals US\$400 million. Investment was made through our subsidiary Komatsu America Corp.
 5. Cummins Komatsu Engine Company is a general partnership in compliance with the regulations of the U.S. state of Indiana. Our cumulative investment in the company totals US\$2 million through our subsidiary Komatsu America Corp.

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